Supreme Court, U.S.
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No. _____

In the Supreme Court of the United States

MOLONEY COACHBUILDERS, INC.,
Petitioner,

v.

ALL OTHERS WHO ARE NOT NAMED PETITIONERS,
Respondents.

ON PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Can a federal court dismiss a congressionally created cause of action which states a claim upon which relief can be granted - - it is not dismissible under Fed. R. Civ. P. 12(b)(6) - - for not raising a "substantial" enough question to trigger federal jurisdiction?

2. Do federal courts have jurisdiction over trademark infringement actions where the trademark at issue is the subject of a contract between the parties, or is such action exclusively a matter of contract law to be decided by state courts?

3. If a federal district court dismissal order retains jurisdiction to enforce a settlement agreement, can a different judge of the same court assert that jurisdiction in a later case brought to enforce that agreement?

4. If a federal district court dismissal order retains jurisdiction to enforce a settlement agreement, would ancillary jurisdiction exist in a separate action to enforce the settlement, even if the court in that separate action believed there was no jurisdiction in the first action?

PARTIES TO THE PROCEEDINGS

Petitioner: Moloney Coachbuilders, Inc.

Other Parties: International Armor and Limousine Company

Earle F. Moloney
Chicago Armor & Limousine

DISCLOSURE PURSUANT TO SUPREME COURT RULE 29.6

No parent or publicly held company owns 10% or more of the stock of Petitioner, Moloney Coachbuilders, Inc.

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Moloney Coachbuilders, Inc. respectfully requests that this Court issue a writ of certiorari to review the judgment entered in this case by the United States Court of Appeals for the Seventh Circuit.

OPINIONS BELOW

The opinion of the Seventh Circuit is reported at 272 F.3d 912 (7th Cir. 2001) and is reproduced in App. A. The Memorandum Opinion and Order of the United States District Court for the Northern District of Illinois is reproduced in App. B. The Order and Judgment of the United States District Court for the Northern District of Illinois is reproduced in App. C. The decision of the Seventh Circuit denying the petition for rehearing is unreported and is reproduced in App. D. A relevant opinion of the District Court in an earlier action entitled *Earle Moloney, et al v. Centner, et al.*, is reported at 727 F. Supp. 1232 (N.D. Ill. 1989).

JURISDICTION

The opinion of the United States Court of Appeals for the Seventh Circuit was issued on November 26, 2001. A timely petition for rehearing and suggestion for rehearing *en banc* was denied by that court on December 18, 2001. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTES INVOLVED IN THE CASE

28 U.S.C. §1114(1)

> Any person who shall, without the consent of the registrant --
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive; or;
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless

the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive. * * *

28 U.S.C. §1121(a)

The district and territorial courts of the United States shall have original jurisdiction and the courts of appeal of the United States (other than the United States Court of Appeals for the Federal Circuit) shall have appellate jurisdiction, of all actions arising under this chapter, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties.

28 U.S.C. §1125(a)(1)

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which --

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or

approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

28 U.S.C. §1331

The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

28 U.S.C. §1367(a)

Except as provided in subsections (b) and (c) or as expressly provided otherwise by Federal statute, in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution. Such supplemental

jurisdiction shall include claims that involve the joinder or intervention of additional parties.

28 U.S.C. § 1367(c)(2)

The district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if -

* * *

the claim substantially predominates over the claim or claims over which the district court has original jurisdiction.

Federal Rule of Civil Procedure 12(b)(6)

. . . the following defenses may at the option of the pleader be made by motion: . . . (6) failure to state a claim upon which relief can be granted.

STATEMENT OF THE CASE

The events giving rise to this litigation began in 1986, when Earle Moloney ("Earle") and a company he owned named Moloney Manufacturing Company ("MMC") sold as a going concern certain assets of their limousine business to Moloney Coachbuilders ("Moloney"). The assets sold included goodwill and the name and federal trademark registrations in Moloney. Following the sale of assets, in 1988, Earle sued Moloney in the federal district court for the Northern District of Illinois on a variety of claims under the Lanham Act and under the law of Illinois. Moloney filed a counterclaim for trademark infringement and other violations of the Lanham Act. *See Earle Moloney, et al. v. Centner, et al.*, 727 F. Supp. 1232, 1233-34 (N.D. Ill. 1989). In December 1989, Judge Aspen of the District Court dismissed or granted summary judgment on all but one state law count of Earle's complaint. *Id.* at 1241. "Because [Moloney's] counterclaim presents federal questions," the District Court "retain[ed] pendent jurisdiction over the plaintiff's remaining state law claim." *Id.*

Following the District Court's order, the parties entered into a Settlement and Mutual General Release Agreement. (App. F. at 79a). Under the terms of the Settlement Agreement, Earle acknowledged Moloney's exclusive ownership of all rights to and trademarks in the name "Moloney" in connection with the manufacture and sale of limousines, custom-built cars, stretch cars, and armored cars. (App. F. at 81a). Earle also agreed to cease and desist from using the name or mark "Moloney" or any other name or mark confusingly similar to "Moloney" in connection with the manufacture and/or sale of limousines, custom-built cars, stretch cars, and armored cars. (App. F. at 81a-82a). Moloney agreed that Earle may "accurately and fairly identify

himself and his personal experience in the automobile industry" and that the use "of his individual name, identify, history, and relationship to the automobile industry . . . shall not be prohibited by this Agreement." (App. F. at 84a-85a). The Settlement Agreement provided that the lawsuit would be dismissed with prejudice, but that the District Court would retain jurisdiction for the purpose of enforcing the Settlement Agreement. (App. F. at 85a). On March 27, 1990, the District Court entered the following order dismissing the 1988 action:

> Pursuant to stipulation, this action is hereby dismissed with prejudice and without costs. The court shall maintain jurisdiction of this matter for the purpose of enforcing the Mutual Settlement and General Release Agreement. It is further ordered that said settlement agreement be filed under seal.

(App. F at 77a).

In January, 1998, Moloney discovered that Earle and two companies he owned or controlled, International Armor and Limousine ("IAL"), and Chicago Armor & Limousine ("CAL"), were using the name "Moloney" in written advertisements promoting the manufacture, sale, and service of custom-built limousines and armored cars. (App. F at 64a). Following failed negotiations between the parties, on September 21, 1998, IAL filed a two-count complaint for Declaratory Judgment against Moloney in the federal district court for the Northern District of Illinois. Jurisdiction was based on "the Federal Trademark Law of 1946, 15 U.S.C. §1051 et seq and the Judicial Code, 28 U.S.C. §§1331, 1338, 2201, and 2202." (App. E at 49a). IAL also sought a declaration that its "use" of a phrase including the name E.F.

Moloney "does not violate any rights Defendant may have pursuant to the federal law of unfair competition. 15 U.S.C. §1125-26." (App. E at 51a).

Moloney filed a six-count counterclaim and third-party complaint against Earle, IAL, and CAL for their unauthorized use of the name "Moloney," Moloney's corporate history, and a stylized design script mark that was confusingly similar to Moloney's trademark. (App. F). Count I of the counterclaim sought damages and injunctive relief for breach of contract against Earle for violating the Settlement Agreement. (App. F at 67a). Counts II through VI sought damages and injunctive relief against Earle and the IAL Defendants as follows: (2) trademark infringement under the Lanham Act, 15 U.S.C. §1114(a) (App. F at 68a-69a); (3) false designation of origin under the Lanham Act, 15 U.S.C. §1125(a) (App. F at 69a); (4) false descriptions or representation under the Lanham Act, 15 U.S.C. §1125(a) (App. F at 69a-71a); (5) common law trademark and trade name infringement and unfair competition (App. F at 71a-72a); and (6) deceptive trade and business practices under Illinois law. (App. F at 72a).[1]

On October 27, 1999, Moloney filed a Motion for Judgment on the Pleadings as to Count I of its Counterclaim against Earle. On March 20, 2000, Judge Nordberg of the District Court issued a Memorandum Opinion and Order granting Moloney judgment on the pleadings against Earle as to Count I. On February 20, 2001, the District Court entered an Order and Judgment against Earle on Count I, which,

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[1] Moloney moved to transfer the case to Judge Aspen, but that Motion was entered and continued but never decided. (App. A at 10a).

among other things, permanently enjoined Earle, IAL, and CAL and their officers, agents, servants, employees, attorneys, and all other persons in active concert or participation with them from using the name "Moloney" in connection with the sale or advertisement of any product or service relating to the manufacture, sale, and/or servicing of custom-built automobiles, limousines, or armored cars. (App. F at 72a-74a).

Earle and IAL filed their Notice of Appeal on February 27, 2001. There was no appeal as to any of IAL's or Moloney's Lanham Act claims because no final or appealable order had been entered on any of those claims. The Seventh Circuit entered a decision on November 26, 2001, vacating the District Court's judgment and remanding the case with instructions to dismiss for lack of subject matter jurisdiction. (App. A at 12a). The Seventh Circuit held that the Lanham Act claims were not "substantial" enough to confer federal question jurisdiction because, in the words of the Court, "[t]he dispute arises under the law of contracts: any trademark claims are entirely derivative of the contract issues." (App. A at 8a). The Seventh Circuit also held that there was no jurisdiction pursuant to Judge Aspen's 1990 dismissal order because i) the request to enforce the Settlement Agreement in the 1988 action ended up before a different judge in a different case number, and ii) the District Court had no subject matter jurisdiction in the 1988 action.[2] (App. A at 10a-12a).

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[2] The record on appeal did not include the complaint, the counterclaim, or any other pleading from the 1988 action, other than Judge Aspen's 1990 dismissal order.

Moloney filed a Petition for Rehearing with Suggestion for Rehearing *En Banc* which the Seventh Circuit denied on December 18, 2001.

REASONS FOR GRANTING THE WRIT

1. This Court Must Determine Whether A Congressionally Created Claim That Is Not Dismissible Under Fed. R. Civ. P. 12(b)(6) May Nonetheless Be Dismissed As Being "Insubstantial."

Federal courts have a "virtually unflagging obligation -- to exercise the jurisdiction given them." *Colorado River Water Conservation Distr. v. United States*, 424 U.S. 800, 817 (1976). This Court held long ago in *Osborn v. Bank of the United States*, 22 U.S. (9 Wheat.) 738, 746 (1824):

> We think, then, that when a question to which the judicial power of the Union is extended by the constitution, forms an ingredient of the original cause, it is in the power of Congress to give the Circuit Court jurisdiction of that cause, although other questions of fact or law be involved.

Congress created a private right of action for trademark infringement, misrepresentation, and false designation of origin and Congress gave the federal district courts jurisdiction over such actions. 15 U.S.C. §§1114(1), 1125(a).

Trademark infringement was the basis for the federal question jurisdiction asserted by all parties in this case. This basis for jurisdiction was accepted by the District Court in the

1988 action and it was accepted again by the District Court in the 1998 action. There never was any hint, argument, or conclusion that any party's Lanham Act claims did not state a claim upon which relief could be granted and should be dismissed under Fed. R. Civ. P. 12(b)(6). The Seventh Circuit nonetheless found that subject matter jurisdiction did not exist because the parties' federal claims were not "substantial" enough. The Seventh Circuit articulated no standard for when a federal claim would be "substantial" enough to give rise to subject matter jurisdiction. By giving no hint of what "substantial" means, the Seventh Circuit leaves district courts, litigants, and potential litigants completely uncertain about what will or will not pass jurisdictional muster.

This case thus presents the question of whether a congressionally created federal claim that is not dismissible for failure to state a claim may nonetheless still be dismissed for being too "insubstantial" in a jurisdictional sense. The answer to this important question is no, and the Supreme Court should grant the writ so it can settle this issue which has now been confused by the Seventh Circuit. If congressionally created claims are dismissible for not being "substantial" enough, then this Court should articulate a workable and predictable standard for determining substantiality.

In the nearly two-hundred years since *Osborn*, this Court has held that the federal courts are without power to entertain *certain* federal issues that do not present a "substantial" question. There are two important distinguishing features to those cases. First, they typically arise in the context of answering the question of whether a constitutional or federal issue is a substantial enough part of a state cause of action to create "arising under" jurisdiction

under 28 U.S.C. § 1331. *See, e.g., Franchise Tax Bd. v. Construction Laborers Vacation Trust*, 463 U.S. 1 (1983) (ERISA defense to state tax levy does not create "substantial" federal question); *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921) (allegation that bonds issued in violation of federal statute states federal question). Second, "substantial" is typically assessed in those cases in terms of whether the asserted federal issue is frivolous or has merit. *See, e.g., Newburyport Water Co. v. Newburyport*, 193 U.S. 561, 579 (1904) (federal issue "so attenuated and unsubstantial as to be absolutely devoid of merit"); *Hagans v. Levine*, 415 U.S. 528, 543 (1974) (federal issue was not "so insubstantial, implausible, foreclosed by prior decisions of this Court or otherwise completely devoid of merit . . ."); [3] *Smith*, 255 U.S. at 199 ("federal claim is not merely colorable and rests upon a reasonable foundation").

This case is different. It is different because Congress created the private right of action to sue under the Lanham Act which all parties asserted in this case. *See American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) ("[a] suit 'arises under' the law that creates the cause of action"); *Franchise Tax Bd.*, 463 U.S. at 27-28 (federal question jurisdiction exists if "federal law creates the cause of action"). It is also different because there was never any suggestion by anyone, including the Seventh Circuit, that any party's Lanham Act claim was meritless or failed to state a claim. Notwithstanding these key differences, the Seventh

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[3] Chief Justice Burger and Justices Powell and Rehnquist put it this way in their dissent in *Hagans*: "But a district court should be able to dismiss for want of jurisdiction any claim that plainly carries no hope of success on the merits." 415 U.S. at 564.

Circuit held, based on no articulated standard, that the Lanham Act claims were not "substantial." This decision conflicts with relevant decisions of this Court and opens the door to federal courts refusing jurisdiction over, and dismissing, claims created by Congress that are not otherwise dismissible under Rule 12(b)(6).

Congress' creation of claims that can be litigated in federal court should not be taken so lightly. This Court has repeatedly emphasized the importance to questions of "arising under" jurisdiction of Congress having spoken. *See, e.g., Merrill Dow Pharm., Inc. v. Thompson*, 478 U.S. 804, 812 n.10 (1986) (when Congress "does speak directly to a question, the courts are not free to 'supplement' Congress' answer so thoroughly that the Act becomes meaningless"); *Daily Income Fund, Inc. v. Fox*, 464 U.S. 523, 535-36 (1984) ("In evaluating such a claim, our focus must be on the intent of Congress when it enacted the statute in question"); *Middlesex County Sewerage Auth. v. National Sea Clammers Assn.*, 453 U.S. 1, 13 (1982) ("The key to the inquiry is the intent of the Legislature"); *Texas Indus., Inc. v. Radcliff Materials, Inc.*, 451 U.S. 630, 639 (1981) ("Our focus, as it is in any case involving the implication of a right of action, is on the intent of Congress"); *California v. Sierra Club*, 451 U.S.287, 293 ("The ultimate issue is whether Congress intended to create a private right of action"); *Northwest Airlines, Inc. v. Transport Workers*, 451 U.S. 77, 91 (1981) ("The ultimate question in cases such as this is whether Congress intended to create the private remedy"); *Transamerica Mortgage Advisors, Inc. v. Lewis*, 444 U.S. 11, 15 (1979) ("The question whether a statute creates a cause of action, either expressly or by implication, is basically a matter of statutory construction"); *Touche Ross & Co. v. Redington*, 442 U.S. 560, 568 (1979) ("The question of the existence of a statutory cause of action is, of course, one of statutory

construction"). The lesson of these cases is that federal courts must exercise jurisdiction over claims that Congress created and said could be brought in federal court.

Shoshone Mining Co. v. Rutter, 177 U.S. 505, 508 (1900), is not contrary to the law which says that federal question jurisdiction exists where Congress creates the causes of action. In *Shoshone*, Congress established a system for miners to lay claim to their finds, and authorized suit in "a court of competent jurisdiction" to adjudicate conflicting claims, but did not create any rights independent of state or common law. "A statute authorizing an action to establish a right is very different from one which creates a right to be established. An action brought under the one may involve no controversy as to the scope and effect of the statute while in the other case it necessarily involves such a controversy, for the thing to be decided is the extent of the right given by the statute." 177 U.S. at 510.

The instant case is not one where the right at issue simply "takes its origin in the laws of the United States." *See Oneida Indian Nation v. County of Oneida*, 414 U.S. 661, 683-84 (1974) (Rehnquist concurring). It is one where the laws of the United States created the claim and authorized it to be brought in federal district court. 15 U.S.C. §§1114(1), 1121(a), 1125(a). Since the federal claim was not "frivolous" or "lacking in merit" or "insubstantial" in any way in which this Court has articulated the substantiality requirement, the District Court had jurisdiction.

"The question whether a claim arises under Federal law must be determined by reference to the 'well-pleaded complaint.'" *Merrill Dow*, 478 U.S. at 808. But instead of analyzing the parties' complaints, the Seventh Circuit focused on subsequent events in the litigation:

> The decision of the district court, and the parties' briefs in this court are all about contract; trademark receives scarcely a sidelong glance, and the Lanham Act played no role in the disposition. (App. A at 8a).[4]

"[T]he district court's jurisdiction is determined by reference to the well-pleaded complaint, not the well-tried case." *Christianson, et al. v. Colt Indus. Operating Corp.*, 486 U.S. 800, 814 (1988). The Seventh Circuit's methodology was thus perfectly backwards.[5]

There is no basis from the decisions of this Court for the Seventh Circuit to have found the parties' Lanham Act claims to be insubstantial in the jurisdictional sense based on its view that this case was really just a contract dispute. Moloney did not know when it filed its counterclaim how this

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[4] Similarly, even though the complaint in the 1988 action was not part of the record on appeal, the Seventh Circuit held that that action "was a poorly disguised request for interpretation of the 1986 contract plus a defamation claim explicitly under state law." (App. A at 11a). The Seventh Circuit relied for this finding solely on the "district court's published opinion" which it characterized as one that "steps through one state-law theory after another . . ." (App. A at 11a). Of course, Judge Aspen's opinion itself discloses that both parties asserted Lanham Act claims and that the District Court asserted pendent jurisdiction based on those claims. 727 F. Supp. at 1241.

[5] It is not "artful pleading," as the Seventh Circuit suggested, for Moloney (or IAL) to have included in its complaint congressionally created Lanham Act claims that are not dismissible under Fed. R. Civ. P. 12(b)(6) and that arose out of the same transaction or occurrence as IAL's claims. (App. A at 7a).

case would turn out. It believed that Earle, IAL, and CAL were infringing its trademarks and committing other Lanham Act violations and it sued in federal court, as Congress said it could. Had the District Court denied Moloney's motion for judgment on the pleadings on Count I, finding, for example, that the Settlement Agreement did not preclude IAL from using the "Moloney" name, Moloney still had the congressionally given right to allege and prove in federal court that the Lanham Act precluded that use. Indeed, even if Moloney won on Count I, it still had the congressionally given right to seek such Lanham Act remedies as enhanced damages which are not available under Illinois law for breach of contract. (*Compare* 15 U.S.C. §1117(a) *with Kawasaki Shop of Aurora, Inc. v. Kawasaki Motors Corp.*, No. 2-88-1058, 1989 Ill. App. LEXIS 1208 at *25-*26 (Ill. App. Ct. 1989).

The Seventh Circuit has decided an important issue that should be settled by this Court - - whether and when jurisdiction over a congressionally created claim that is not otherwise dismissible can be deemed too insubstantial to create jurisdiction. This Court should settle the question because the Seventh Circuit's answer is contrary to a long history of decisions from this Court and it leaves litigants and potential litigants in a state of uncertainty about when congressionally created claims can or cannot be brought in federal court.

2. The Seventh Circuit's Decision Disenfranchises Trademark Owners From Suing In Federal Court And Directly Conflicts With Decisions Of This Court Regarding Pendent Jurisdiction.

Even though Moloney had the congressionally given right to pursue trademark claims under the Lanham Act in federal court, the Seventh Circuit said it could not exercise that right against Earle because a contract governed Earle's right to use the Moloney mark. The effect of that decision will be that no trademark owner who is a party to a contract regarding his mark will be able to sue the other party in federal court for infringement. That is because all the other party (or the court) needs to do to defeat jurisdiction is to suggest that there is a dispute over ownership of the mark or that the contract allows the allegedly infringing use. Then, according to the Seventh Circuit, the "outcome of [the] suit . . . depends entirely on the state law of contracts," and the case must be dismissed. (App. A at 5a).[6] This holding effectively divests federal courts of jurisdiction in trademark enforcement actions where a prior agreement between the litigants gives rise to the trademark rights.

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[6] This could be the result in any Lanham Act action, trademark-based or otherwise, where a contract exists or existed between the parties. Indeed, it could be the result under any statute in any action created by Congress, if a contract is or was present between the parties. *See Avco Corp. v. Aero Lodge No. 735*, 390 U.S. 557 (1968) (state court action to enforce a contract within the scope of Section 301 of the Labor Management Relations Act arose under federal law and could be removed).

T.B. Harms Co. v. Eliscu, 339 F.2d 823 (2d Cir. 1964), *cert. denied*, 381 U.S. 914 (1965), cited by the Seventh Circuit, conflicts with this holding. In that case, the Second Circuit considered whether federal jurisdiction existed over a contract dispute regarding ownership of a copyright. The complaint in *T.B. Harms* did not allege any use or threatened use of the copyright and did not allege copyright infringement. *Id.* at 824-25. Judge Friendly held that there was no "arising under" jurisdiction because "an action 'arises under' the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record production." *Id.* at 828.

Postal Instant Press v. Clark, 741 F.2d 256, 257 (9th Cir. 1984) and *Gibralter, P.R., Inc. v. Otoki Group, Inc.*, 104 F.3d 616, 619 (4th Cir. 1997), also cited by the Seventh Circuit, also conflict with its decision. In *Postal*, like *T.B. Harms*, there was no claim of infringement, even though a trademark was apparently involved; the only claim at issue was the validity under California law of a non-compete agreement. In *Gibralter*, the Fourth Circuit specifically relied on the fact that "Gibralter has in fact failed to allege a violation of the Lanham Act," claiming instead simply that its joint venture partner was required to arbitrate over who owned a trademark.

In contrast to these cases, Moloney's complaint specifically alleged IAL's *infringement* of the Moloney mark:

- The *use* of the 'Moloney name . . . is likely to cause confusion, or to cause mistake, or to deceive customers . . . within the meaning of 15 U.S.C. §1114(a) . . .."

- The unauthorized *use* of designations confusingly similar to [Moloney's] trade name and mark . . . constitutes the *use* of false designations of origin within the meaning of 15 U.S.C. §1125(a)

- The distribution of the advertisement by [defendants] . . . and the statements therein constitutes the *use* of false descriptions or representations within the meaning of 15 U.S.C. §1125(a)

(App. F at 68a, 69a, 71a, emphasis added). In its prayer for relief, Moloney sought monetary relief, enhanced damages, a temporary restraining order, and a preliminary and permanent injunction restraining Earle, IAL, and CAL from "using the designation 'Moloney' on any other word, name, symbol, or device confusingly similar to Moloney's tradename and trademark[s]." (App. F at 72a-74a).

The fact that Moloney's complaint also alleged a state law breach of contract claim did not somehow render the District Court without jurisdiction.[7] The question for the District Court, which it answered in the affirmative in both

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[7] Moloney's breach of contract claim did not raise a dispute over "ownership" of the Moloney trademark, as the Seventh Circuit characterized it. (App. A at 4a-5a; App. F at 81a, 89a). There never was any dispute that Moloney owned the Moloney name and mark. The only dispute raised by the contract claim was whether Earle's use of the Moloney mark was permitted by, or violated, the Settlement Agreement. It might well have been that such use did not violate the Settlement Agreement but still infringed Moloney's mark or otherwise violated the Lanham Act.

the 1988 action and in the 2000 action, was whether it would exercise supplemental jurisdiction over the state contract claim. (App. B at 20a; 727 F. Supp. at 1241). Indeed, that is exactly the approach suggested by this Court in *Hurn v. Oursler*, 289 U.S. 238 (1933) and in *United Mine Workers v. Gibbs*, 383 U.S. 715 (1966). "[S]tate law claims are appropriate for federal court determination if they form a separate but parallel ground for relief also sought in a substantial claim based on federal law." *Gibbs*, 383 U.S. at 722. In *Hurn*, this Court defined "a substantial claim" as one "not plainly wanting in substance." 289 U.S. at 246.

Moloney's (and IAL's) Lanham Act claims were plainly "substantial" under this law, the claims were expressly provided by Congress to be brought in federal district court, and Moloney's Lanham Act claims provided an alternative or "parallel" basis for relief to the breach of contract claim. The only reason the "decision of the district court, and parties' briefs in this court, are all about contract," as the Seventh Circuit put it, is because only the contract claim was the subject of the underlying motion for judgment on the pleadings. (App. A at 8a). No judgment had yet been sought or entered on any of the Lanham Act claims. It turns *Hurn* and *Gibbs* on their heads to hold that when a state law claim is decided first in an action that also has federal claims, the whole action arises under state law. *See Gibbs*, 383 U.S. at 726-27 ("if it appears that the state issues substantially predominate, whether in terms of proof of the scope of the issues raised, or of the comprehensiveness of the remedy sought, the state claims may be dismissed without prejudice and left for resolution to the state tribunals"); *see also* 28 U.S.C. § 1367(c)(2) ("the district courts may decline to exercise supplemental jurisdiction over a claim under subsection (a) if - (2) the claim substantially predominates over the claim or claims over which the district court has

original jurisdiction").[8]

This issue is of exceptional importance because the Seventh Circuit decision deprives a class of trademark owners -- individuals and companies whose marks are the subject of contracts -- of the right to sue their contracting parties for infringement in federal court. Trademark owners frequently enter into agreements regarding their marks. Often, those agreements, particularly license agreements, will impose restrictions on the other party's use of the marks and sometimes the agreements will import language from the Lanham Act about not causing confusion. It cannot possibly be correct, as the Seventh Circuit would have it, that by putting such language in a contract, the trademark owner suddenly loses his federal forum if a dispute arises. "When Congress does speak directly to a question, the courts are not free to 'supplement' Congress' answer so thoroughly that the Act becomes meaningless." *Merrill Dow*, 478 U.S. at 812, n.10. Congress has spoken directly about the right of all trademark owners to pursue Lanham Act claims in federal court. The Seventh Circuit's decision renders that right "meaningless" for those owners whose marks also are the subject of a contract.

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[8] Of course, retention or dismissal of such state claims is a matter within the district court's discretion. *Gibbs*, 383 U.S. at 726-27. Both Judge Aspen in the 1988 case and Judge Nordberg in the 1998 case explicitly exercised their discretion to assert jurisdiction over the pendent claims. 727 F. Supp. at 1241; App. B at 20a). The Seventh Circuit never found, and no one ever argued, that either judge's exercise of discretion was an abuse of discretion.

3. The Seventh Circuit Has Created A Major Loophole In *Kokkonen v. Guardian Life Ins. Co.*, 511 U.S. 375 (1994) Which The Supreme Court Did Not Intend.

In *Kokkonen*, this Court held that "[e]nforcement of [a] settlement agreement is more than just a continuation or renewal of the dismissed suit, and hence requires its own basis for jurisdiction." 511 U.S. at 378. This Court recognized that such a basis would exist if the District Court's order dismissing the suit retained jurisdiction:

> The situation would be quite different if the parties' obligation to comply with the terms of the settlement agreement had been made part of the order of dismissal - either by separate provision (such as a provision 'retaining jurisdiction' over the settlement agreement) or by incorporating the terms of the settlement order. In that event, a breach of the agreement would be a violation of the order, and ancillary jurisdiction to enforce the agreement would therefore exist.

That is exactly what happened in this case. The District Court's 1990 Dismissal Order expressly and specifically retained jurisdiction to enforce the parties' Settlement Agreement. Moloney alleged that breach of the Agreement violated the Order and that ancillary jurisdiction to enforce the Agreement therefore existed. But the Seventh Circuit refused to recognize ancillary jurisdiction under *Kokkonen* because a different judge of the District Court was hearing the issue in a different case. (App. A at 10a-11a).

This conclusion creates a major loophole in *Kokkonen* which this Court should close. The Seventh Circuit appears to ignore that the jurisdiction at issue in *Kokkonen* was ancillary jurisdiction. Here is how this Court described when ancillary jurisdiction exists:

> Generally speaking, we have asserted ancillary jurisdiction (in the very broad sense in which that term is sometimes used) for two separate, though sometimes related, purposes: (1) to permit disposition by a single court of claims that are, in varying respects and degrees, factually interdependent * * * and (2) to enable a court to function successfully, that is, to manage its proceedings, vindicate its authority, and effectuate its decrees * * * 511 U.S. at 379, citations omitted.

It was perfectly consistent with the second specified purpose for Judge Nordberg in the 1998 action to have asserted ancillary jurisdiction, even though he was not the judge in the 1988 action and even though enforcement of the Settlement Agreement was being raised in a case bearing a different case number. Moloney alleged the 1988 action in its complaint, it alleged and attached the 1990 dismissal order retaining jurisdiction over the Settlement Agreement, and it specifically sued to enforce the Settlement Agreement, as the dismissal order provided. (App. F). Even though Judge Nordberg did not grant Moloney's motion to transfer the 1998 case to Judge Aspen, he specifically found that the "court has jurisdiction to enforce settlement agreements when it explicitly retains jurisdiction" and he exercised that jurisdiction by enjoining violations of the Settlement Agreement. (App. B at 20a). This fits precisely the second purpose for ancillary jurisdiction cited by this Court.

The Seventh Circuit's conclusion that "the court as an institution did not do what was necessary to show that the jurisdiction retained in 1990 was being exercised" is a *non-sequitur*. (App. A at 11a). It is apparently based on the fact that Judge Nordberg did not grant Moloney's motion to transfer "the new proceedings to Judge Aspen so that they could be resolved as ancillary to the 1988 suit." (App. A at 10a). What this overlooks, of course, is that Judge Nordberg expressly found that the court had ancillary jurisdiction and he exercised that jurisdiction by entering a preliminary injunction.

This Court set out in *Kokkonen* the specific circumstance in which ancillary jurisdiction to enforce a Settlement Agreement would exist. But as a result of the Seventh Circuit's decision, the predictability and certainty of the *Kokkonen* rule will be lost unless this Court grants the writ.

4. This Court Should Settle The Important Question Of Whether Ancillary Jurisdiction Under *Kokkonen* Can Be Denied, Where A Dismissal Order Retains Jurisdiction, By Questioning Jurisdiction In The First Action.

The second reason why the Seventh Circuit refused to accept that the District Court had ancillary jurisdiction to enforce the Settlement Agreement was its conclusion that the 1988 case itself "was outside federal jurisdiction." (App. A at 11a). As discussed above, this conclusion was improper, it violated the well-pleaded complaint rule, and it conflicts

with decisions of this Court. (*See, supra* at 9-10).[9] But even if it is assumed for purposes of argument that there was no subject matter jurisdiction in the 1988 action, that does not mean that ancillary jurisdiction did not exist in the new proceeding.

This Court made clear in *Kokkonen* that "[e]nforcement of the Settlement Agreement . . . is more than just a continuation or renewal of the dismissed suit, and hence requires its own basis for jurisdiction." 511 U.S. at 378. This means that the existence of ancillary jurisdiction to enforce a settlement agreement does not depend on the existence of jurisdiction in the original action. If it did, *Kokkonen* would be eviscerated and there would be no need for a specific retention of jurisdiction in a dismissal order to create ancillary jurisdiction; jurisdiction would exist to enforce a settlement agreement as long as it existed in the underlying action. But that is not what *Kokkonen* provided. *Kokkonen* provided that ancillary jurisdiction to enforce a settlement agreement depends, not on the existence of jurisdiction in the underlying case, but on the District Court entering an order retaining jurisdiction. That order, according to this Court, provides the "basis for jurisdiction." *Id.* at 381.

The Seventh Circuit's decision effectively overrules *Kokkonen* because it makes the existence of ancillary

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[9] If nothing else, the Seventh Circuit should have remanded the case to the District Court so it could review the complaint and counterclaim in the 1988 action and determine if jurisdiction were proper there, rather than simply concluding on the basis of Judge Aspen's 1990 decision without more that jurisdiction did not exist. *Accord Herrick Company, Inc., et al. v. SCS Communications*, 251 F.3d 315, 333-34 (2d Cir. 2001).

jurisdiction turn on the existence of jurisdiction in the first case, which is exactly the opposite of what *Kokkonen* held. The Seventh Circuit's decision is also directly at odds with the very purpose for which this Court has said ancillary jurisdiction may be found: "to enable court to function successfully, that is to manage its proceedings, vindicate its authority, and effectuate its decrees . . . . ." *Id.* at 378. The District Court in the 1998 case would not have "vindicate[d] its authority" or "effectuate[d] its decrees" if it had ruled (as the Seventh Circuit said it should have) that the 1988 lawsuit was not properly in federal court in the first place and the 1990 order was a nullity.

Indeed, it would be inconsistent with principles of *res judicata* announced by this Court for one court in one case to re-visit an earlier judge's determination of jurisdiction. "It has long been the rule that principles of *res judicata* apply to jurisdictional determinations - both subject matter and personal." *Insurance Corp. of Ireland Ltd. v. Compagnie Des Bauxites De Guinee*, 456 U.S. 694, 702 n.9 (1982). Even when it is assumed that jurisdiction in the first action was lacking, this Court has made it clear that a court in a second action cannot challenge that jurisdiction:

> Every court in rendering a judgment, tacitly, if not expressly, determines its jurisdiction over the parties and the subject matter. * * * An erroneous affirmative conclusion as to the jurisdiction does not in any proper sense enlarge the jurisdiction of the court until passed upon by the court of last resort, and even then the jurisdiction becomes enlarged only from the necessity of having a judicial determination of the jurisdiction over the subject matter. When an erroneous judgment,

> whether from the court of first instance or from the court of final resort, is pleaded in another court or another jurisdiction the question is whether the former judgment is *res judicata*. After a federal court has decided the question of the jurisdiction over the parties as a contested issue, the court in which the plea of *res judicata* is made has not the power to inquire again into that jurisdictional fact. * * * We see no reason why a court, in the absence of an allegation of fraud in obtaining the judgment, should examine again the question whether the court * * * making the earlier determination on an actual contest over jurisdiction between the parties, did have jurisdiction of the subject matter of the litigation. *Stoll v. Gottlieb*, 305 U.S. 165, 172 (1930).

While no party in the 1988 action "contested" subject matter jurisdiction, all parties asserted federal question jurisdiction and thus "had an opportunity to litigate the question of subject-matter jurisdiction . . .." *Insurance Corp. of Ireland*, 456 U.S. at 702 n.9. The District Court expressly found such jurisdiction to exist and there was no appeal of that decision or of any other aspect of the 1988 action. (App. B at 20a).[10] Principles of *res judicata* preclude the Seventh Circuit now, more than 12 year later and in a separate case, from attacking subject matter jurisdiction in the 1988 action.

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[10] That makes this case different from *Herrick*, where there was an appeal of the judgment entered in the case in which the *Kokkonen*-type dismissal order was entered.

The Seventh Circuit decision undermines the purpose of ancillary jurisdiction and conflicts so directly with *Kokkonen* that this Court should grant the writ to assure that the reasons for and holding of *Kokkonen* are still viable.

5. The Issues Raised By This Petition Are Very Important To Civil Litigants In The Federal Courts.

This Court has recognized the importance of clear, bright line jurisdictional standards. *Budinch v. Becton Dickinson & Co.*, 486 U.S. 196, 202 (1988) ("Courts and litigants are best served by [a] bright-line rule . . ."). In *Franchise Tax Board*, the Court expressed its "concern" about maintaining "consistent application of a system of statutes conferring original jurisdiction, as they have been interpreted by this Court over many years." 463 U.S. at 27. In *Merrill Dow*, Justice Stevens wrote:

> the interrelation of federal and state authority and the proper management of the federal judicial system * * * would be ill-served by a rule that made the existence of federal question jurisdiction depend on the district court's case-by-case appraisal . . . 478 U.S. 817, *quoting Franchise Tax Bd.*, 463 U.S. at 8.

Yet, an ad-hoc, inconsistent, unpredictable, case-by-case appraisal is exactly what the Seventh Circuit's decision will spawn. The Seventh Circuit blurred the bright-line rule of *American Well Works* that "[a] suit arises under the law that creates the cause of action" by holding that there was no federal jurisdiction over Moloney's (or IAL's) congressionally created Lanham Act claims because those claims were not

"substantial" enough. With no hint of what "substantial" means, other than the Seventh Circuit's own subjective determination, that ruling leaves litigants and potential litigants completely uncertain about what will or will not pass jurisdictional muster. Now, any time a contract is involved, Lanham Act (and other federal statutory) claims will become mired in threshold jurisdictional disputes about whether the federal claims are "substantial." Worse yet, they could proceed through years of litigation (as happened here), only to have the appeals court vacate the district court judgment because under the standard of the Seventh Circuit (which is no standard), the federal claim is not "substantial" enough.[11] And even worse than that, trademark owners who have the congressionally created right to proceed in federal court on Lanham Act claims that are not dismissible under Rule 12(b)(6), may be forced out of that forum if their marks are or were the subject of a contract.

Trademark owners and other would-be Lanham Act litigants deserve better, as do the district courts which will be hearing their claims. This Court should grant the writ to clarify that a claim under the Lanham Act is substantial enough for jurisdictional purposes so long as it states a claim upon which relief can be granted.

This Court should also grant the writ to settle the viability of *Kokkonen*, which the Seventh Circuit's decision draws into serious question. If courts are free to avoid *Kokkonen* by assigning an enforcement action to another judge or by attacking jurisdiction in the first action, then the

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[11] Such a result "would entail needless waste and runs counter to effective judicial administration." *Newman Green, Inc. v. Alfonzo-Larrain*, 490 U.S. 830, 833 (1989).

important purposes and benefits of ancillary jurisdiction will be lost.

March 14, 2002

Respectfully submitted,

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APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 01-1493

[Filed November 26, 2001]

International Armor & Limousine Company,
Plaintiff-Appellant,

v.

Moloney Coachbuilders, Inc.,
Defendant, Third-Party Plaintiff-Appellee.

v.

Earle F. Moloney, et al.,
Third-Party Defendants-Appellants.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division
No. 98 C 5898
John A. Nordberg, Judge

JUDGES:
Before Harlington Wood, Jr., Coffey, and Easterbrook, Circuit Judges.

OPINION

Easterbrook, *Circuit Judge*. Earle F. Moloney owes his fame and fortune to success in the limousine, armored car, and custom auto rebuilding business. In 1986 he sold his limousine assets, together with the name "Moloney Coach Builders", to Jacques Moore, who incorporated Moloney Coachbuilders, Inc., to carry on the business. Earle agreed not to compete for five years in the stretch limousine business but reserved the right to make armored limousines and custom vehicles extended by less than 20 inches. Disputes ensued. Earle Moloney contended that Moloney Coachbuilders had acquired the right to use "Moloney Coach Builders" as a corporate name but *not* as a trademark for its products; Earle also contended that he, rather than Moloney Coachbuilders, retained the business's corporate history (such as the right to say "in business since 1969" and to brag about limousines made for heads of state). Litigation ensued, a judge resolved several issues on the pleadings, *see Moloney v. Centner*, 727 F. Supp. 1232 (N.D. Ill. 1989), and the rest were settled in 1990, with Moloney Coachbuilders prevailing on all central issues.

More disputes erupted after the no-competition clause expired and Earle reentered the armored stretch limousine business. Advertisements for Earle's new firm, International Armor & Limousine Company, carried phrases such as "The world's standard in extended limousines was created by E.F. Moloney, the pioneer in the stretch limousine industry" and "A Moloney Owned Entity". After Moloney Coachbuilders protested the use of the Moloney name in connection with Earle's limousine business, International Armor filed this suit, seeking a declaratory judgment that use of these and similar

phrases does not violate §43 of the Lanham Act, 15 U.S.C. §1125, by making a confusingly false claim of origin. Moloney Coachbuilders responded with a counterclaim (plus a third-party claim against Earle and two of his other firms) contending that Earle's use of his name and corporate history in connection with stretch limousines (armored or not) violates the 1986 contract of sale, the 1990 settlement, and the Lanham Act. The district court concluded that Earle Moloney's use of his name in connection with any stretch limousine business violates the 1990 settlement agreement. Earle and his firms have appealed.

Our first question is whether they have anything to appeal from. The judgment entered by the district court provides:

> IT IS HEREBY ORDERED AND ADJUDGED that Enter memorandum Opinion and Order. For the foregoing reasons, this court grants the amended motion for attorneys [sic] fees and orders Earle F. Moloney to pay Moloney Coachbuilders, Inc. $ 70,521.84 in fees and costs. The original motion is denied as moot. This court also grants the motion for a permanent injunction for the reasons stated herein [sic: "and" missing?] enjoins Eale [sic] F. Moloney, International Armor & Limousine, Limousine Werks, and Chicago Armor & Limousine, their officers, agents, servants, employees, attorneys and all other persons in action [sic: active?] concert or participation with them.

In addition to the multiple references to other documents, which should not appear in a judgment, *see Reytblatt v. Denton*, 812 F.2d 1042 (7th Cir. 1987), this judgment dangles. Earle Moloney and firms are enjoined, but from doing what? The judgment does not say. This is the second time the district court violated Fed. R. Civ. P. 65(d) in the case; an earlier "standstill order" never was reduced to writing, a problem that the judge acknowledged, *International Armor & Limousine Co. v. Moloney Coach Builders, Inc.* 1999 U.S. Dist. LEXIS 16609. Complete failure to specify the terms of a decision makes appeal impossible; there is no order adverse to the appellant, no possibility of penalties for noncompliance, and thus nothing to review. *See Hispanics United of DuPage County v. Addison,* 248 F.3d 617 (7th Cir. 2001); *Bates v. Johnson*, 901 F.2d 1424 (7th Cir. 1990); *Bethune Plaza, Inc. v. Lumpkin*, 863 F.2d 525 (7th Cir. 1988). But when the terms may be gleaned from other sources, there is only a violation of Rule 65, which is correctable on appeal. *See Chathas v. Local 134 IBEW*, 233 F.3d 508, 512-13 (7th Cir. 2000); *Metzl v. Leininger*, 57 F.3d 618 (7th Cir. 1995). The district judge's memorandum order of February 20, 2001, contains terms that the judge evidently meant to be used as an injunction; unfortunately the court as an institution did not ensure that these were reflected in a formal judgment. The result is appealable--but it will not be necessary to remand for compliance with Rule 65(d), because now that our jurisdiction is secure we hold that the district court lacked subject-matter jurisdiction.

The problem is simple: This is a contract dispute, and although the stakes may exceed $ 75,000 all litigants are citizens of Illinois. The contracts of 1986 and 1990 are about trademarks, so a claim under the Lanham Act may be

derivative of the rights conferred. Whichever side owns the marks may use them, and whichever side does not own them is at risk under the Lanham Act as well as the law of contract. Many federal statutes create property rights that may become the subject of ownership disputes: copyright law, patent law, trademark law, and a score of licensing systems. Any fight about ownership could be recharacterized as a claim for redress under federal law. For example, if A sells a patent to B, and A then practices the invention without B's consent, a suit alleging patent infringement may conceal a dispositive contract issue (A may defend the infringement action by saying that the contract is invalid). If the outcome of a suit nominally under federal law depends entirely on the state law of contracts, does the dispute come within the federal-question jurisdiction of 28 U.S.C. §1331, which applies to "all civil actions arising under the Constitution, laws, or treaties of the United States" (emphasis added)?

Osborn v. Bank of the United States, 22 U.S. (9 Wheat.) 738, 822-28, 6 L. Ed. 204 (1824), gives "arising under" in Article III of the Constitution the broadest possible meaning, extending the grant to every case in which federal law furnishes a necessary ingredient of the claim even if this role is distantly related to the parties' dispute. Our case arises under the trademark laws in Osborn's sense. But the Supreme Court has long given a narrower meaning to "arising under" in statutes defining the jurisdiction of the district courts. *See, e.g., Merrell Dow Pharmaceuticals, Inc. v. Thompson*, 478 U.S. 804, 92 L. Ed. 2d 650, 106 S. Ct. 3229 (1986); *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 77 L. Ed. 2d 420, 103 S. Ct. 2841 (1983); *Shulthis v. McDougal*, 225 U.S. 561, 569, 56 L. Ed. 1205, 32 S. Ct. 704 (1912). In *Merrell Dow*, for example, the

plaintiff's success depended on a favorable interpretation of federal drug-safety laws; but the Court observed that state law supplied the right to recover damages for torts and held that the presence of a federal issue in a claim that depended on state law did not make the claim one "arising under" federal law.

Professor Mishkin's appraisal remains apt: A suit comes within federal jurisdiction under §1331 when a substantial claim is founded directly on federal law. *See* Paul J. Mishkin, *The Federal "Question" in the District Courts*, 53 Colum. L. Rev. 157, 160-65 (1953). That leaves much play in the joints: What is "substantial," and how "direct" is direct enough? But it is a more comprehensive and nuanced approach than Justice Holmes's statement that a "suit arises under the law that creates the cause of action." *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260, 60 L. Ed. 987, 36 S. Ct. 585 (1916). Many other opinions discuss the limitations of that approach, and we add that under the Federal Rules of Civil Procedure the concept of "cause of action" as Holmes used it--a reference to a code-pleading regime in which law was essential to the plaintiff's complaint--has vanished from federal law and been replaced by notice pleading, which need not specify a source of law. *See Bartholet v. Reishauer A.G. (Zrich)*, 953 F.2d 1073 (7th Cir. 1992); *Bennett v. Schmidt*, 153 F.3d 516 (7th Cir. 1998). Under the Federal Rules, courts rather than parties decide which rules of law govern the disputes. This changes the focus of the "arising under" jurisdiction from the contents of the complaint to the attributes of a successful claim. This is why decisions such as Merrell Dow hold that complaints forcefully stating federal ingredients do not necessarily arise under federal law, and why Franchise Tax Board observes

that "artful pleading" in an effort to create a federal issue that is not really there, or avoid one that is essential, no longer succeeds. Although the well-pleaded-complaint doctrine of *Gully v. First National Bank*, 299 U.S. 109, 81 L. Ed. 70, 57 S. Ct. 96 (1936), establishes that the federal element must be part of the plaintiff's claim (as opposed to a defense), it does not mean that the plaintiff may maneuver a case into or out of federal court at will by including or omitting federal aspects. In our notice-pleading regime (adopted two years after Gully) the district court looks past the surface allegations to make its own assessment of what law the claim arises under.

Long before the Supreme Court adopted the artful-pleading doctrine and permitted district courts to look behind the surface of a complaint, Judge Friendly concluded in *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964), that a dispute about the ownership of a copyright does not arise under federal law, even though the dispute could not exist but for the property right created by copyright, a federal ingredient that would have been enough under Osborn's expansive understanding. That conclusion holds sway among the federal appellate courts, and we have not only adopted it for copyright disputes, *see Spearman v. Exxon Coal USA, Inc.*, 16 F.3d 722 (7th Cir. 1994) (dictum); *Saturday Evening Post Co. v. Rumbleseat Press, Inc.*, 816 F.2d 1191, 1194-95 (7th Cir. 1987) (dictum), but also extended it to disputes about ownership of patents. *See Kennedy v. Wright*, 851 F.2d 963 (7th Cir. 1988). We have intimated that it is equally applicable to disputes about the ownership of trademarks. *Country Mutual Insurance Co. v. American Farm Bureau Federation*, 876 F.2d 599, 601 (7th Cir. 1989). Two other circuits have square holdings on that point. Each adopted Eliscu's approach for trademark ownership disputes. *See*

Gibraltar, P.R., Inc. v. Otoki Group, Inc., 104 F.3d 616 (4th Cir. 1997); *Postal Instant Press v. Clark*, 741 F.2d 256 (9th Cir. 1984). Because in this case the only serious dispute is how the contracts of 1986 and 1990 allocate ownership rights in the Moloney name and business history (as applied to stretch limousines), the same principle leads to the conclusion that there is no federal jurisdiction. The dispute arises under the law of contracts; any trademark claims are entirely derivative of the contract issues. The decision of the district court, and the parties' briefs in this court, are all about contract; trademark receives scarcely a sidelong glance, and the Lanham Act played no role in the disposition.

In a supplemental brief filed after oral argument, Moloney Coachbuilders attempted to distinguish *Eliscu* as a case dealing with a "pure" ownership dispute; the complaint did not charge the defendant with infringement. The dispute concerned the allocation of royalties, not the lawfulness of any given copy or performance. One could say the same of *Gibraltar*, which concerned arbitration of an ownership dispute--though not of *Postal Instant Press*, which began with a charge of trademark infringement by a franchisee that stayed in business after the contract ended. Here the case began with a request for a declaratory judgment of non-infringement and continued with a counterclaim seeking damages for trademark infringement. Both the complaint and the counterclaim satisfy the approach of *American Well*--still used as an inclusive, though not an exclusive, definition--that the "suit arises under the law that creates the cause of action." Contract issues are *defenses* and cannot undermine jurisdiction established by the complaint, the argument concludes. If this is so then *Postal Instant Press* is wrongly decided and we must create a conflict among the circuits. But

that decision is not a blunder; *Postal Instant Press* applies the artful-pleading doctrine (though without naming it), and sensibly so.

Suppose that the claim in *Eliscu* had been cast slightly differently: Instead of demanding royalties according to (his interpretation of) the contract, the author of the lyrics could have argued that, because he was not being paid, the sale of the sheet music infringed his copyright. Turning the telescope around in this way should not be a means to create federal jurisdiction, when the real dispute is unaffected. Yet this is all that our parties have done. Instead of relying on the contract claims directly, they have tried to frame trademark issues that immediately vanish, a coat of water-soluble paint that washes away to reveal the contract dispute underneath. That disappearing-ink trick does not create federal jurisdiction; it simply *defines* artful pleading. International Armor might as well have requested a declaratory judgment that its advertising does not violate the antitrust laws or ERISA.

A claim might arise under federal law even though all dispositive issues depend on state law if the remedies differ. Suppose that Illinois would give Moloney Coachbuilders actual damages, plus an injunction, if Earle Moloney broke his promises, but that federal law would provide treble damages if the broken promise amounted to misappropriation of Moloney Coachbuilders' trademark. Then breach of contract under state law would set up a genuine, distinctive federal claim. But the parties' supplemental briefs do not contend that the Lanham Act affords any remedy that is unavailable under the state law of contract, or makes that remedy easier to obtain, or in this case serves any role other than as a veneer laid over the state-law core. International

Armor's complaint alerts the district court to the contractual foundation, and the counterclaim rubs it in; it describes the 1990 agreement in ¶ 3, even before it identifies the parties to the case! We therefore treat this ownership dispute as what it is, a claim arising under the state law of contracts.

Seeking a way to keep this case in federal court, the parties have identified a second potential source of jurisdiction: If §1331 is unavailable, they contend, the court still had supplemental jurisdiction to enforce the 1990 agreement. *Kokkonen v. Guardian Life Insurance Co.*, 511 U.S. 375, 128 L. Ed. 2d 391, 114 S. Ct. 1673 (1994), holds that a settlement of a suit arising under federal law normally is a contract that can be enforced in federal court only if there is an independent source of jurisdiction, such as diversity of citizenship. But Kokkonen adds that, if a court retains jurisdiction to enforce the terms of a settlement, then ancillary jurisdiction may be available. 511 U.S. at 380-81. The terminating order in the earlier suit (No. 88 C 6564) provides, among other things: "The Court shall maintain jurisdiction of this matter for the purpose of enforcing the Mutual Settlement and General Release Agreement."

One problem with this line of argument is that neither International Armor's complaint nor Moloney Coachbuilders' counterclaim invoked the jurisdiction retained in 88 C 6564. International Armor filed a brand new suit, and Moloney Coachbuilders filed a counterclaim in that suit rather than seeking relief from the original judge. The 1988 suit was assigned to Judge Aspen, this 1998 suit to Judge Nordberg. Moloney Coachbuilders asked Judge Nordberg to transfer the new proceedings to Judge Aspen so that they could be resolved as ancillary to the 1988 suit. That motion was

denied. Although it is the court rather than the judge that retains jurisdiction, the court as an institution did not do what was necessary to show that the jurisdiction retained in 1990 was being exercised.

A second, and deeper, problem is that even a request filed directly under the 1988 case would not have been sufficient--for that case, too, was outside federal jurisdiction, and for the same reason the current suit does not arise under federal law. The 1988 suit was a poorly disguised request for interpretation of the 1986 contract, plus a defamation claim explicitly under state law. The district court's published opinion in that case steps through one state-law theory after another: defamation, tortious interference with contract, and unfair competition. The court observed that Earle Moloney had alleged trademark infringement but also made it clear that the only dispute was whether the 1986 agreement had transferred to Moloney Coachbuilders, the new corporation, the Moloney Coach Builders trademark (with its distinctive script) that Earle Moloney had registered years earlier. 727 F. Supp. at 1238-40. Just as in the current suit, then, the trademark claim was a veneer for a contract dispute, and for the reasons we have already given did not arise under federal law. The district court in 1990 could "retain" no more jurisdiction than it had--which is to say, none.

Neither the court nor the parties can be happy when lengthy litigation comes to naught, but enforcing the limits of federal jurisdiction is essential lest clever lawyers be able to transfer suits at will to federal court. These litigious parties may be unwilling to give up; the long-running nature of this dispute does not augur well for peaceful resolution. But Earle Moloney should consider, before he renews hostilities in state

court, the possibility that the district judge's thoughtful and well-reasoned opinions in this case will be persuasive with the state judges.

The judgment of the district court is vacated, and the case is remanded with instructions to dismiss for lack of subject-matter jurisdiction.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Filed March 20, 2000]

No. 98 C 5898
Judge John A. Nordberg

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,	)
Plaintiff	)
v.	)
MOLONEY COACHBUILDERS, INC.	)
Defendant	)
MOLONEY COACHBUILDERS, INC.	)
Third Party Plaintiff/ Counter-Plaintiff	)
v.	)

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,	)
Counter-Defendant	)
and	)
EARLE F. MOLONEY, LIMOUSINE WERKS, and CHICAGO ARMOR & LIMOUSINE,	)
Third-Party Defendants.	)

MEMORANDUM OPINION AND ORDER

Before the court is a motion for judgment on the pleadings, pursuant to Fed. R. Civ. P. 12(c), filed by defendant and counter-plaintiff Moloney Coachbuilders, Inc. Also before the court is defendant's motion for rule to show cause why the plaintiff and third-party defendants should not be held in contempt for violating this court's standstill order. The latter motion was referred to Magistrate Judge Levin, who has recommended that we impose sanctions. We address both motions in this opinion as they involve the same basic issue.

BACKGROUND

The current dispute is really a flare-up of an older dispute, which led to litigation before Judge Aspen and which was settled in March of 1990. Earle F. Moloney is at the center of both disputes. (To avoid confusion, we will

hereinafter refer to him by his first name.) Earle has been involved in the limousine and armored car business for many years and has conducted business through a number of different companies. One of those companies was Moloney Manufacturing Corporation ("MCC").

In 1986, Earle and MCC sold the portion of their business involved in the production of limousines to Jacques Moore and Moloney Coachbuilders, Inc. ("Moloney"). The parties entered into an asset purchase agreement in which Moloney and Moore paid $1.8 million and in return received the goodwill of the business, the name "Moloney Coachbuilders," customer lists, advertising lists, engineering materials, and various other properties used in the production of limousines. In addition, Earle and MCC agreed not to compete for five years in the business of manufacturing limousines.

Several years later, Earle and MCC filed a lawsuit against Moloney, which was removed to federal court and was assigned to Judge Aspen (Case No. 88 C 6564). Among other things, Earle and MCC alleged that Moloney was using the corporate history that Earle and MCC believed they still owned. For example, Moloney was representing that it had been in the armored limousine business since 1969. Earle and MCC also alleged that Moloney had violated trademark laws. Even though they sold the name "Moloney Coachbuilders" to Moloney as part of the asset purchase agreement, Earle and MCC argued that they still owned the rights to the registered trademark for "Moloney Coachbuilders."

On December 27, 1989, Judge Aspen issued a detailed memorandum opinion, in which he considered these and other

issues. *Moloney v. Centner,* 727 F. Supp. 1232 (N.D. Ill. 1989). Pertinent to this dispute, he rejected Earle's and MCC's claims to the trademark and corporate history. He ruled that the trademark to "Moloney Coachbuilders" was sold to Moloney along with the goodwill of the business, and he therefore dismissed the trademark claim. Judge Aspen also ruled that Moloney purchased "the right to rely on the established reputation and history of [the] business." *Id.* at 1237-40.

The opinion led to a settlement. In March 1990, a settlement agreement was entered into by Earle, MCC, Moloney Armor Corporation, Moloney, Jacques Moore, and James Centner. Essentially, the settlement agreement redefined and clarified the parties respective rights.

In this settlement agreement, Earle and his companies agreed to a number of conditions. They agreed to pay Moloney $125,000 (¶ 1); they acknowledged Moloney's exclusive rights to and trademark in the name "Moloney" in connection with manufacture of limousines (¶ 2); they executed an assignment of the trademark (¶ 3); they agreed to "cease and desist from using . . . the name or mark 'Moloney,'" in connection with" the limousine and armored car business (¶ 4); they agreed to "wind down" within 30 days any business conducted under the name "Moloney" *(id.);* and they agreed that they would not "take any action with the purpose or effect of causing confusion or of exploiting or using, either for themselves or for someone else, the goodwill and reputation of MCC which was sold to [Moloney] and Moore pursuant to the Purchase Agreement" (¶ 8). In addition, the settlement agreement terminated the prior non-competition provision from the asset purchase agreement and,

in its place, set forth several paragraphs addressing the extent to which Earle (and his associates) could operate in the limousine and armored car industry (¶¶ 5, 9).

In January 1998, Moloney discovered that a company owned by Earle - International Armor & Limousine Company ("IAL") – had run print advertisements that Moloney believed were in violation of the settlement agreement because they used the name "Moloney." The ads, which were run in a trade publication, included the following phrases: "A Moloney Owned-Entity;" "The world's standard in extended limousines was created by E.F. Moloney, the pioneer in the stretch limousine industry;" "It is a known fact that other armoring executives took their internships under the tutelage of Earle F. Moloney...;" and "Featuring the world's standard in sports utility vehicles by the world's premier limousine builder . . . Earle F. Moloney."

Moloney's counsel demanded that IAL cease and desist from placing these types of ads. IAL's then legal counsel responded: "[w]e intend to comply with the [Settlement] Agreement. Please be advised that we will not be placing any further ads referring to [IAL] as 'a Moloney owned entity' or 'Moloney owned Company.'"

In August 1998, Moloney discovered that IAL had again placed ads containing the "Moloney" name. Moloney's counsel again requested that the ads be stopped. IAL's counsel took the position that the current advertisements did not violate the settlement agreement because they fell within what he described as a "safe harbor" contained in paragraph 9 of the settlement agreement. IAL's counsel stated that the current advertisements were different from the ads placed

earlier. The apparent difference was that the new ads referred to an "E.F. Moloney Owned Company" rather than simply a "Moloney Owned Company." Moloney's counsel disagreed and stated that Moloney would file a lawsuit if IAL continued to take this position.

Rather than waiting for Moloney to file suit, IAL filed a declaratory judgment action in this court on September 21, 1998. IAL was listed as the sole plaintiff and Moloney as the sole defendant. The complaint contained two counts. Count I sought a declaratory judgment that IAL had not violated federal law of unfair competition, 15 U.S.C. §§1125-26, while Count II sought similar relief under common law of unfair competition. Both counts referred to IAL's use of the phrase "An E.F. Moloney Owned Company" in a print advertisement, a copy of which was attached to the complaint.

On October 7, 1998, Moloney filed a Verified Counterclaim and Third Party Complaint, naming as third-party defendants: (i) Earle F. Moloney, (ii) Limousine Werks, an Illinois corporation, and (iii) Chicago Armor & Limousine, an Illinois corporation. Limousine Werks and Chicago Armor & Limousine ("CAL") are two companies allegedly owned by Earle. The gist of the counterclaim was that the various advertisements placed by IAL and the third-party defendants were improper. The counterclaim contained six counts: (1) breach of contract; (2) trademark infringement; (3) false designation of origin; (4) false descriptions or representations; (5) common law trademark and trade name infringement and unfair competition; and (6) deceptive trade and business practices.

Along with its counterclaim, Moloney also filed a motion for preliminary injunction. On October 14, 15, and 20, 1998, the parties through their legal counsel appeared before this court regarding this motion. Eventually the parties agreed to a standstill agreement, thus allowing them to participate in confidential mediation before Magistrate Judge Levin.[1]

DISCUSSION

Moloney has moved for judgment on the pleadings on Count I of its counterclaim and on Counts I and II of IAL's complaint. Moloney seeks judgment as to liability only. We may grant judgment under Rule 12(c) only if "it appears beyond doubt that the plaintiff cannot prove any facts that would support his claim for relief." *Thomason v. Nachtrieb,* 888 F.2d 1202, 1204 (7th Cir. 1989). We thus consider such motions under the same standard as a motion to dismiss under Rule 12(b). *Northern Indiana Gun & Outdoor Shows, Inc. v. City of South Bend,* 163 F.3d 449, 452 (7th Cir. 1998). We may look at the pleadings, which include "the complaint, the answer, and any written instruments attached as exhibits." Id.

I. Preliminary Issues.

Before turning to the merits, we need to address three preliminary issues. First, IAL and the third party defendants

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[1] During our review of this case, we noticed that the docket sheet still says that the preliminary injunction motion is pending. Given that the standstill agreement rendered the preliminary injunction motion moot, we will now terminate the preliminary injunction motion from the list of pending motions.

raise a jurisdictional argument. They argue there is no supplemental jurisdiction over Count I of the counterclaim (state law breach of contract) because it supposedly does not arise out of the same operative facts as do Counts I and II of their complaint (federal and common law trademark violations). 28 U.S.C. § 1367. We disagree. Clearly, all three claims relate to the propriety of the exact same print advertisements and thus arise out of the same operative facts. In any event, even if we concluded that there was no supplemental jurisdiction under § 1367, we would still have jurisdiction over Count I of the counterclaim based on the fact that Judge Aspen explicitly retained jurisdiction in order to enforce the settlement agreement. *See* 3/27/90 Min. Order ("The Court shall maintain jurisdiction of this matter for the purpose of enforcing the Mutual Settlement and General Release Agreement."). It is well accepted that a federal court has jurisdiction to enforce settlement agreements when it explicitly retains jurisdiction. *In re VMS Sec. Litig.*, 103 F.3d 1317, 1321 (7th Cir. 1996) ("This circuit firmly recognizes the power of a district court to retain jurisdiction over a settlement agreement to protect and enforce its own judgments.")[2]

Second, on a related point, there is a question as to whether judgment on the pleadings is an appropriate way to resolve all three counts. As we just noted, all three arise out of the same facts, but they do involve different legal standards. To resolve the breach of contract claim, we need

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[2] There is a twist in this case in that it is not before the original judge who presided over the settlement. Although we have not specifically researched this issue, we believe that the "court" retains jurisdiction and not the individual judge.

only analyze the language of the settlement agreement and the offending advertisements that are attached to the pleadings. This issue is appropriate for judgment on the pleadings. The trademark infringement claims, on the other hand, require a different type of analysis that is not suited for judgment on the pleadings. Accordingly, the discussion below only addresses Count I of the counterclaim.

Third, IAL argues that it cannot be found in breach of the settlement agreement for the simple reason that it was not a party to that agreement. We find this argument odd in light of the fact that IAL's principal shareholder is Earle F. Moloney, who is clearly bound by the agreement. It is also odd in that IAL itself cites to and relies on the settlement agreement in its own complaint. We also fail to see where this argument gets IAL. To the extent that IAL is merely arguing that it cannot be held liable for money damages for breach of contract, we agree. Any award of damages will be against Earle F. Moloney personally.

However, the issue of injunctive relief is a different matter. Although the current motion concerns liability only, we note that any injunctive relief may be binding "upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise." Fed. R. Civ. P. 65(d). We also note that, at the very first status hearing in this case, IAL's previous legal counsel backed away from any suggestion that IAL could engage in the very conduct that Earle was prohibited from engaging in:

> THE COURT: Suppose that [Earle] is forbidden by [the settlement] agreement to make such a representation? It's your position that that's not binding on [IAL] and that, therefore, [Earle] can achieve indirectly what he couldn't achieve directly?
>
> [IAL's Counsel]: I wouldn't say that, Your Honor, because I'm not here to play any games and I don't want to make a representation that's disingenuous -

(10/14/98 Tr. at 7-8.)

II. Judgment On The Pleadings As To Count I Of The Counterclaim.

With these limitations in place, we consider whether Earle violated the settlement agreement. The parties agree that this breach of contract claim is governed by Illinois law. The "general principles of contract construction" under Illinois law were recently summarized in *Bank of Am.. Nat'l Trust and Savs. Assoc. v. Schulson,* 714 N.E.2d 20 (Ill. App. Ct. 1999):

> An unambiguous contract must be enforced as written. Where the only dispute concerns the meaning of a contract provision, we must first address the threshold issue of whether the contract is ambiguous. Whether a contract is ambiguous is a question of law. A contract is ambiguous if it is susceptible to more than one reasonable interpretation. In determining

> whether a contract is ambiguous, a court must construe the contract as a whole, reading each term in light of the others. It is presumed that each part of a contract was inserted deliberately and for a purpose consistent w/th the overall intention of the parties. If possible, we must interpret a contract in a manner that gives effect to all its provisions.

Id. at 24 (citations to Illinois cases omitted).

Each side offers an interpretation of the settlement agreement, and each side believes its interpretation is the only reasonable one. Earle has modified his position somewhat over time. He now appears to concede that use of the name "Moloney" *by itself is* prohibited by the settlement agreement. An example of such advertising is the phrase "A Moloney owned company." Thus, Earle is implicitly conceding that he has breached the settlement agreement with respect to those ads containing this phrase.

Earle's current position is that, although he may not use the "Moloney" surname by itself, he may use his full individual name. Specifically, he believes that he may use the surname "Moloney" when it is used in combination with his first name, his initials, or with other words indicating that a specific individual is involved. With this position in mind, we will analyze the disputed provisions of the settlement agreement.

There are two key provisions -- paragraphs 4 and 9. Moloney relies on paragraph 4 and argues that it clearly prevents Earle from using his full individual name in

connection with a limousine business. We agree.

Paragraph 4 states:

> 4. EARLE, MCC and MAC shall within a reasonable time, but no longer than 30 days from the date of this Agreement, cease and desist from using, and shall not become associated in any way, directly or indirectly, with any other person and/or entity which is using, the name or mark "Moloney" or any other name or mark confusingly similar to "Moloney," whether alone or with other words, in connection with the manufacture and/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles. It is understood that this thirty-day period is being agreed to allow EARLE, MCC, and MAC to wind down any automobile, custom-built automobile, limousine, stretched automobile, and/or armored automobile business they might currently be conducting under the name "Moloney." EARLE, MCC, and MAC shall not initiate any new such business . . . under the "Moloney" name during this period nor shall they initiate any new advertising or promotion of such business under the "Moloney" name during this period.

(Counterclaim, Ex. D at 4.)

The first sentence of paragraph 4 prohibits Earle from "using" the name "Moloney." This is a broad prohibition on use. Significantly, this first sentence specifically says that Earle may not use the name Moloney "whether alone or with other words." This logically means that he cannot use the name Moloney with his initials or his first name because they would be classified as "other words." Thus, under the literal and unambiguous terms of paragraph 4, Earle may not use his full individual name.[3]

Earle's primary argument is that, even if paragraph 4 does apply in the way described above, it is superceded by paragraph 9, which states as follows:

> 9. EARLE may accurately and fairly identify himself and his personal experience in the automobile industry. The use by EARLE of his individual name, identity, history, and relationship to the automobile industry in connection with any company he operates or is employed by shall not be prohibited by this Agreement. Notwithstanding EARLE's right to identify himself, his experience, history, and relationship to the automobile industry, as provided in this paragraph, EARLE shall not, by virtue of any such identification, violate

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[3] When we refer to Earle "using" the Moloney name, we recognize that Earle may not have personally placed the advertisements in question but that his companies did so. However, Earle does not, and cannot, argue that this fact somehow means that he paragraph 4 does not apply to him because that paragraph also prohibits Earle from "associating with" any company that "uses" the name Moloney.

any other provisions of this Agreement.

(Ex. D at 7-8.)

The first two sentences of paragraph 9 do give Earle a broad right to use his individual name, as well as his history and relationship to the industry. If we stopped after reading these two sentences, we would be presented with a conflict, given that paragraph 4 seems to prohibit what paragraph 9 seems to allow. Unfortunately for Earle, paragraph 9 contains a third sentence. It states that the rights given in the first two sentences "shall not . . . violate any other provisions" of the settlement agreement. In other words, paragraph 9 contains its own conflict resolution provision, subordinating the rights given in paragraph 9 to the extent they conflict with other provisions in the agreement.

Earle attempts to avoid the clear force of this third sentence by arguing that it conflicts with the first two sentences. He relies on the rule that specific contractual provisions prevail over conflicting general provisions and then argues that the first two sentences should prevail over the conflicting third sentence. We fail to see the logic of this argument. The drafter of the paragraph 9 clearly understood that the third sentence conflicted with the first two sentences. That is the whole point of the sentence, as the word "notwithstanding" makes clear. Thus, there is no conflict and thus no need to resort to a default general rule of construction to resolve the conflict. *See Bank of Am. Nat'l Trust and Says. Assoc. v. Schulson,* 714 N.E.2d 20, 27 (Ill. App. Ct. 1999) ("defendants cite no case that holds 'specific' clauses trump 'general' clauses where the two can be read as consistent. Such a rule could not coexist with the contract principle that

directs us, if possible, to interpret a contract in a way that gives effect to all its terms.").[4]

Even without the explicit statement in the third sentence of paragraph 9, it seems unlikely that the parties intended for the rights in paragraph 9 to take precedence over paragraph 4. For one thing, the structure of the settlement agreement suggests that paragraph 4 is the key provision. Both paragraphs 5 and 6 both refer back to paragraph 4. For example, paragraph 5 states that Earle may work in the limousine and armored car business "so long as [he] abide[s] by the restrictions of this Agreement, including specifically paragraph 4 hereof." Likewise, paragraph 6 is tied to the "meaning of paragraph 4 hereof."

Also, the context does not suggest that the parties intended to give Earle such an unfettered loophole through the operation of paragraph 9. The agreement was entered into several months after Judge Aspen issued his memorandum opinion, in which he rejected Earle's claim that MCC -- and not Moloney -- owned the trademark to "Moloney Coachbuilders." In the agreement, Earle acknowledged this fact, executed a transfer of the trademark, and paid Moloney $125,000. All of these factors indicate that the parties did not intend the agreement to mean what Earle now claims it means.

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[4] This fact thus distinguishes the primary case Earle relies upon -- *Countryman v. Industrial Comm 'n*, 686 N.E.2d 61 (Ill. App. Ct. 1997) -- which involved a contract containing two conflicting provisions but which did not contain any internal textual direction as to which of the two clauses should take precedence if there was a conflict.

Finally, Earle's proposed reading of the settlement agreement does not even lead to the conclusion he now advocates. As noted above, Earle has conceded that the settlement agreement prohibits him from using the surname Moloney by itself. Yet, if we were to hold that paragraph 9 supercedes paragraph 4, then Earle would be able to use the name Moloney by itself because paragraph 9 allows Earle to use his "name" and does not say that he must use his "full" name. For all of the above reasons, we grant judgment to Moloney, and against Earle, on Count I of the counterclaim.

III. The Motion For Sanctions And The R&R.

We now consider Moloney's motion to show cause as to why Earle, IAL, and CAL should not be held in contempt for violation of this court's standstill order of October 20, 1998. In a report and recommendation, dated October 21, 1999, Magistrate Judge Levin recommended that this motion be granted. Earle, IAL, and CAL - hereinafter the Earle defendants - timely filed objections to the R&R. Moloney then filed a response. As set forth below, we adopt the recommendations contained in the R&R.[5]

We begin by summarizing the facts relevant to this motion. In October 1998, the parties appeared before this court on three separate dates to discuss Moloney's motion for a preliminary injunction. The focal point of the discussion

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[5] Although neither party addressed the issue of the standard of review, we will review the R&R *de novo*. *See, e.g., J.H. Chapman Group, Ltd. v. Chapman*, 1996 WL 197527, *3 (N.D. Ill. April 18, 1996) ("Resolution of a sanctions request is a dispositive matter that must be reviewed *de novo*.").

was whether IAL would cease running certain advertisements that Moloney believed were in violation of the settlement agreement. The court asked whether the parties would agree to a standstill agreement so that the case could be referred to Magistrate Judge Levin for confidential mediation:

> THE COURT: But what is customary when you give this a chance is that you have a temporary stay in effect, an agreed stay so that no further action is taken that is complained of.

(10/14/98 Tr. at 17-18.)

IAL's counsel raised some questions.[6] One issue was how to deal with advertisements already in the pipeline. IAL's counsel also asked whether the standstill agreement could be construed as a waiver of his client's rights:

> THE COURT: No, it isn't and doesn't require that you undo anything that you have already done, it's just that no further ads would be submitted-
>
> [IAL's Counsel]: Correct, your Honor.

(10/15/98 Tr. at 5.) Counsel also was concerned about the fact that the stay would be open-ended given that there was no set timetable for the mediation. To address this concern, this court emphasized that the stay was "always subject to further

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[6] At these initial hearings, counsel was appearing on behalf of IAL only.

order of court." (10/20/98 Tr. at 10.)

In the end, counsel for the parties orally agreed to the standstill agreement. This court's October 20, 1998 minute order reflects the existence of this agreement. A number of settlement conferences were then held before Judge Levin over the next year. At each conference, counsel reaffirmed that their clients were still abiding by the standstill agreement.

In September of 1999, while the settlement talks were still in progress, Moloney's counsel received a letter from IAL's (new) legal counsel, stating that IAL had placed a new advertisement. The advertisements contained the following phrase in large font across the top of the page: "Earle F. Moloney offers the first glimpse of good things to come . . . . "IAL's counsel argued that the ads were permitted because they contained Earle's full individual name.

In his R&R, Magistrate Judge Levin rejected this argument and stated that the advertisement in question was "the very type of conduct that gave rise to and is in issue in this litigation." (R&R at 4.) He concluded that the advertisement violated standstill agreement based on the fact that it violated paragraph 4 of the settlement agreement. *(Id.)* This latter conclusion is the same one we reached in part II above.

The Earle defendants raise two objections to the R&R. First, with regard to the merits, they argue that the most recent advertisements do not violate the standstill agreement. Their argument is that the standstill agreement merely prohibited the "complained of" conduct, which they believe was the use of the Moloney name by itself and not the use of

Earle's full individual name. We disagree. This is really just the same argument we have already rejected. At the October 1998 status hearings on the preliminary injunction motion, Moloney complained about the use of the name Moloney, which we have already held includes the use of the name in connection with "other words."

Even if the Earle defendants believed their interpretation of the underlying settlement agreement was correct, they still should have been cautious about placing new advertisements in light of the standstill agreement. The purpose of a standstill agreement was to prevent any further action that arguably could be later interpreted to be in violation of the settlement agreement. In this sense, the standstill agreement was broader than the settlement agreement. During the October 15, 1998 status heating, this court stated that the standstill agreement meant that "no further ads would be submitted." (10/15/98 Tr. at 5.) If there was any question as to whether a particular advertisement violated the standstill agreement, the Earle defendants could have come into court for clarification. The fact that their counsel disclosed to Moloney's counsel the running of the ad (after the fact) shows that counsel was aware that the ad might be construed as a violation of the standstill agreement.

Second, the Earle defendants argue that they cannot be held in contempt because the terms of the standstill agreement allegedly were never clearly set forth in a separate order as is required by Rule 65(d). We do not believe that the Earle defendants can rely on any objections as to vagueness. Their counsel agreed to the standstill agreement in open court. Moreover, their counsel reaffirmed on numerous occasions before the magistrate judge that they were still complying

with the order. Counsel thus waited over a year to raise this concern about vagueness. Finally, as noted above, counsel could have avoided this whole problem simply by asking this court for permission to run the disputed advertisement. Under all of these circumstances, we find that the Earle defendants have waived any argument based on Rule 65(d). *See Szabo v. U.S. Marine Corp.*, 819 F.2d 714, 718 (7th Cir. 1987) ("Not having appealed from the grant of the injunction, U.S. Marine cannot argue that it is too vague to be enforced, or that it violates Rule 65(d)") (citations omitted); *Brumby Metals, Inc. v. Bargen*, 275 F.2d 46, 49 (7th Cir. 1960) (Rule 65 "is controlling and mandatory . . . except by complete agreement of counsel").[7]

CONCLUSION

For the foregoing reasons, this court grants judgment on Count I of the counterclaim to counter-plaintiff Moloney Coachbuilders, Inc. and against third-party defendant Earle F. Moloney. This court also approves and adopts the October 21, 1999 Report and Recommendation, finding that the Earle F. Moloney, IAL, and CAL are in contempt of this court's standstill order and that they shall pay Moloney's reasonable attorneys' fees and costs related to the contempt proceeding.

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[7] Even if we ruled in favor of the Earle defendants on this contempt motion, they still arguably would be required to pay Moloney's fees and costs in connection with the contempt proceedings. Without deciding the issue, we note that Paragraph 12 of the settlement agreement provides that, "[i]n the event that litigation ensues over any claimed breach of this Settlement Agreement, the losing party shall pay to the prevailing party all costs, including attorneys fees incurred in connection with that litigation."

The parties are directed to appear at a status hearing at 3:00 p.m. on March 30, 2000 to discuss further proceedings in this case.

/s/_____
John A. Nordberg
Senior United States District Court Judge

Dated: March 20, 2000

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Filed February 20, 2001]

No. 98 C 5898
Judge John A. Nordberg

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,	)
Plaintiff	)
v.	)
MOLONEY COACHBUILDERS, INC.	)
Defendant	)
MOLONEY COACHBUILDERS, INC.	)
Third Party Plaintiff/ Counter-Plaintiff	)
v.	)

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,	)
Counter-Defendant	)
and	)
EARLE F. MOLONEY, LIMOUSINE WERKS, and CHICAGO ARMOR & LIMOUSINE,	)
Third-Party Defendants.	)

ORDER

On March 21, 2000, this court issued a memorandum opinion and order, granting judgment to Moloney Coachbuilders, Inc. ("Moloney") on Count I of Moloney's counterclaim against third-party defendant Earle F. Moloney ("Earle"). *See International Armor & Limousine Co. v. Moloney Coachbuilders, Inc.*, 2000 WL 640883 (N.D. I11. March 21, 2000). In Count I, Moloney alleged that Earle and certain companies owned by him -- International Armor & Limousine Company ("IAL"), Limousine Werks, and Chicago Armor & Limousine ("CAL") -- breached a 1990 settlement agreement by placing various print advertisements containing the name "Moloney." The judgment in favor of Moloney on Count I was to liability only, leaving open the question of a remedy. Based on judgment in its favor on Count I, Moloney has now filed a motion for a permanent injunction, pursuant to Fed. R. Civ. P. 65, and a motion for attorneys' fees and costs.

I. Motion For Permanent Injunction.[1]

As set forth in the prayer for relief to its motion, Moloney seeks a permanent injunction enjoining Earle, IAL, Limousine Werks, and CAL, their officers, agents, servants, employees, attorneys and all other persons in active concert or participation with them from:

> (i) using the name "Moloney" or any other word, name, symbol or device confusingly similar to Moloney's trade name and trademark "Moloney Coachbuilders," or Moloney's registered trademark "Moloney Coachbuilders and Design" in connection with the sale of or advertising for any product or service relating to the manufacture, sale and/or servicing of custom-built automobiles, limousines or armored cars; and from
>
> (ii) using the Moloney Coachbuilders' corporate history in connection with the manufacture, sale and/or servicing of custom-built automobiles, limousines or armored cars; and from
>
> (iii) holding out in any manner whatsoever that Earle, Moloney, IAL, CAL or Limousine Werks are in any way associated or affiliated with Moloney.

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[1] We will not re-summarize the pertinent background facts here as they are set forth in the March 21,2000 memorandum opinion and order.

In effect, Moloney is seeking an injunction preventing Earle (and his companies) from violating the 1990 settlement agreement in the furore. Moloney describes this type of injunction as a negative injunction.

As an initial point of clarification, we note that, although Moloney does not say so explicitly in its motion, Moloney appears to be seeking an injunction in lieu of any money damages. This conclusion is based on the fact that Moloney argues that money damages are difficult and time-consuming to establish and based on Moloney's reliance on *Walgreen Co. v. Sara Creek Property Co.*, 966 F.2d 273 (7th Cir. 1992), which involved a choice between an injunction and money damages.[2]

We also note that both the request for a permanent injunction and the request for attorneys' fees are based solely on the judgment in favor of Moloney on Count I of the counterclaim. There are additional counts still unresolved in this case, which include Counts II-VI of the counterclaim and Counts I and II of the original complaint filed by IAL. However, none of the remaining counts concern the issue of the parties' settlement agreement. And neither side has suggested in its briefs that the later resolution of these counts, one way or another, would have any affect on the ruling on

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[2] Of course, Moloney is not required to elect between these two remedies, as it could seek money damages for the past violations of the settlement agreement and an injunction against any future violations. *See, e.g., Hallahan v. N.I.S. Corp.*, 936 F.2d 1496, 1499 n.2 (7th Cir. 1991) ("The election of remedies doctrine does not prevent a party who has obtained an injunction covering one period of time to seek damages for injuries inflicted before the injunction took effect.").

the two pending motions such that we should wait to issue this ruling until those issues are resolved.

Moloney argues that a permanent injunction is appropriate for the following reasons.[3] Moloney prevailed on the merits of its breach of contract claim. The effect of Earle's actions on Moloney's customers, revenues, profits and good will is difficult to measure or accurately calculate in an action at law. An injunction would not harm Earle because he could still operate his limousine and armored car business. An injunction also would not harm the public because the public clearly has an interest in not being confused about which party is the source of goods being purchased.

In addition to these factors, Moloney argues that an injunction prohibiting future breaches of the settlement agreement is justified in light of Earle's prior behavior. Specifically, Moloney notes that both the Magistrate Judge and this Court concluded that Earle should be held in contempt for violating the standstill order of October 20, 1998. See *International Armor & Limousine,* 2000 WL 640883 at *7-9. Furthermore, in granting judgment on the pleadings on Count I of the Counterclaim, we found that Earle

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[3] "Before a court may award permanent injunctive relief, a party must demonstrate (I) it has succeeded on the merits; (2) no adequate remedy at law exists; (3) the moving party will suffer irreparable harm without injunctive relief; (4) the irreparable harm suffered without injunctive relief outweighs the irreparable harm the nonprevailing party will suffer if the injunction is granted; and (5) the injunction will not harm the public interest." *Old Republic Ins. Co. v. Employers Reins. Corp.*, 144 F.3d 1077, 1081 (7th Cir. 1998). "[A] court's decision with respect to equitable relief [is reviewed] for an abuse of discretion." *Bruso v. United Airlines, Inc.*, 2001 WL 87635, *10, ___ F.3d __ (7th Cir. Feb. 2, 2001).

had violated the 1990 settlement agreement that ended the litigation before Judge Aspen. Id. at *4-7.

We find that the above reasons fully support the imposition of a permanent injunction in this case. Earle makes two basic arguments in response, neither of which we find convincing. First, Earle argues that breach of contract is "traditionally and typically" a legal cause of action, suggesting that an injunction may not be granted in this context. Notwithstanding any general rule in favor of money damages, it is clear that under appropriate circumstances an injunction may be a valid remedy in a breach of contract case. *See Walgreen,* 966 F.2d at 275 (noting that damages are the norm but that an injunction may be more efficient in some cases); *Almond v. Capital Props., Inc.,* 212 F.3d 20, 25 (1st Cir. 2000) ("injunctions against contract breach are common where there is some reasonable doubt about whether damages can be sufficient").

Second, in his main argument, Earl asserts that an injunction is inappropriate because Moloney has not established that money damages would be inadequate nor has it even proved that there were any damages at all. Earle suggests that Moloney should be required to put on a witness to prove up this point. We reject this argument also.

As an initial matter, given that Moloney has alleged damage to its goodwill based on the placement of advertisements using the name "Moloney," we would be surprised if Moloney could not establish that money damages were inadequate. *See generally Ross-Simons of Warwick; Inc. v. Baccarat, Inc.,* 217 F.3d 8, 13 (lst Cir. 2000) ("Because injuries to goodwill and reputation are not easily quantifiable,

courts often find this type of harm irreparable."). In any event, we think that this injunction is fully justified on the separate rationale that it merely prohibits future breaches of the agreement. *Id.* at 14 (affirming grant of permanent injunction that "simply prohibits contract breach, or, put another way, specifically enforces the contract"). This rationale is separate from the issue of the amount of damages for past violations. Earle claims that such an injunction is not needed because there is no evidence of any ongoing or current breach of the settlement agreement. Even if true, as noted above, the fact remains that Earle has on at least two prior occasions shown a willingness to transgress prohibitions on placing these types of advertisements. This pattern of behavior is enough to invoke our discretionary authority to impose a permanent injunction.

In sum, this injunction is modest in scope. In effect, it "simply reiterates the key provisions" of the 1990 settlement agreement. *Ross-Simons of Warwick; Inc.*, 217 F.3d at 14. For all the above reasons, the motion for a permanent injunction is granted.

II. Motion For Attorneys' Fees and Costs.

Moloney also filed a motion for attorneys' fees and costs. The motion seeks fees based on our adoption of the Magistrate Judge's recommendation that Earle should pay Moloney its reasonable attorneys' fees and costs related to the contempt proceeding. In addition, Moloney seeks fees based on ¶ 12 of the settlement agreement, which states: "In the event that litigation ensues over any claimed breach of this Settlement Agreement, the losing party shall pay to the prevailing party all costs, including attorneys fees incurred in

connection with that litigation." Before a briefing schedule was set on the original motion, Moloney filed an amended motion, which supplemented the original motion with additional fees and costs incurred after the original motion was prepared. As part of its amended motion, Moloney attached its attorneys' monthly billing statements. These statements contain a description of the specific work done. In addition, Moloney attached affidavits from its attorneys.

Earle thereafter filed a response brief. He does not take issue with the general assertion that Moloney should be able to recover attorneys' fees and costs based on the contempt ruling and on the provision in the settlement agreement. He has not argued that the work done was not connected to either the contempt proceeding or the breach of contract claim. He also has not raised any specific challenges to the billing rates of the attorneys involved, nor has he objected to any specific time entry in the monthly billing statements. Instead, he raises two general points of procedure. First, he argues that Moloney's attorneys should not be allowed to describe work in quarter hour increments. As we noted in a prior opinion, this argument is "spurious" given that "billing in fifteen minute increments is as well accepted in the legal community as billing in six minute increments." *Countess Cary v. CHA,* 1992 WL 91799, *8 n.4 (N.D. Ill. April 29, 1992).

Second, he argues that there should be an evidentiary hearing to determine the reasonableness of the fees. He also wants to depose Moloney's attorneys. We see no justification for either a hearing or for allowing depositions. As Moloney points out, Earle never raised any of these concerns at the hearing at which we set the briefing schedule on the motion.

More importantly, he never raised any specific objection in his response brief. He has been given the opportunity to raise objections and has not pointed to even one suspicious or vague time entry. Having failed to raise any valid objection, we will not allow him to engage in costly and time-consuming depositions on the bare hope that he might turn up some ground upon which to argue that the fees are unreasonable.

For the above reasons, we will grant the amended motion for attorneys' fees and costs, which requests $68,620.59 in fees and costs. In its reply brief, Moloney requested an additional $1,901.25 in fees incurred after the filing of the amended motion. Although Moloney did not submit time sheets documenting the specific work done, it is obvious that this work relates to the filing of the reply briefs on the motion for fees and on the motion for a permanent injunction. Based on the length and complexity of these briefs and based on counsel's stated billing rates, we conclude that this amount ($1901.25) is reasonable on its face and that it would not make sense to engage in an additional round of briefing relating to this small portion of the overall award. The total award is thus $70,521.84.

CONCLUSION

For the foregoing reasons, this court grants the amended motion for attorneys fees and orders Earle F. Moloney to pay Moloney Coachbuilders, Inc. $70,521.84 in fees and costs. The original motion for fees is denied as moot. This court also grants the motion for a permanent injunction for the reasons stated herein and hereby enjoins Earle F. Moloney, International Armor & Limousine, Limousine Werks, and Chicago Armor & Limousine, their officers,

agents, servants, employees, attorneys and all other persons in active concert or participation with them from:

> (i) using the name "Moloney" or any other word, name, symbol or device confusingly similar to Moloney Coachbuilders, Inc.'s trade name and trademark "Moloney Coachbuilders," or Moloney Coachbuilders, Inc.'s registered trademark "Moloney Coachbuilders and Design" in connection with the sale of or advertising for any product or service relating to the manufacture, sale and/or servicing of custom-built automobiles, limousines or armored cars; and from
>
> (ii) using the Moloney Coachbuilders, Inc.'s corporate history in connection with the manufacture, sale and/or servicing of custom-built automobiles, limousines or armored cars; and from
>
> (iii) holding out in any manner whatsoever that Earle F. Moloney, International Armor & Limousine, Limousine Werks, or Chicago Armor & Limousine are in any way associated or affiliated with Moloney Coachbuilders, Inc.

/s/_____
John A. Norberg
Senior United States District Court Judge

Dated: February 20, 2001

District Court Order 2/20/2001

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Filed February 20, 2001]

98 C 5898

International Armor

v.

Moloney Coachbuilders

[] Jury Verdict. This action came before the Court for a trial by jury. The issues have been tried and the jury rendered its verdict.

[x] Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS HEREBY ORDERED AND ADJUDGED that Enter memorandum Opinion and Order. For the foregoing reasons, this court grants the amended motion for attorneys fees and orders Earle F. Moloney to pay Moloney Coachbuilders, Inc. $70,521.84 in fees and costs. The original motion is denied as moot. This court also grants the motion for a permanent injunction for the reasons stated herein enjoins Earle F. Moloney, International Armor & Limousine, Limousine Werks, and Chicago Armor & Limousine, their officers,

agents, servants, employees, attorneys and all other persons in action concert or participation with them.

Michael W. Dobbins, Clerk of Court

/s/_____
Terry Perdue
Deputy Clerk

Date: 2/20/2001

APPENDIX D

UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

No. 01-1493

[Filed December 18, 2001]

International Armor & Limousine Company, *Plaintiff-Appellant*,	)
v.	)
Moloney Coachbuilders, Inc., *Defendant, Third-Party Plaintiff-Appellee*,	)
v.	)
Earle F. Moloney, et al., *Third-Party Defendants-Appellants*.	)

JUDGES:

Before Hon. HARLINGTON WOOD, JR., Circuit Judge, Hon. JOHN L. COFFEY, Circuit Judge, Hon. FRANK H. EASTERBROOK, Circuit Judge.

ORDER

Defendant, Third-Party Plaintiff-Appellee Moloney Coachbuilders, Inc. filed a petition for rehearing and rehearing en banc on December 7, 2001. No judge in regular active service has requested a vote on the petition for rehearing en banc, and all of the judges on the panel have voted to deny rehearing. The petition for rehearing is therefore DENIED.

APPENDIX E

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Filed September 21, 1998]

98 C 5898
Judge Nordberg
Magistrate Judge Levin

INTERNATIONAL ARMOR & LIMOUSINE COMPANY, Plaintiff,	)
v.	)
MOLONEY COACHBUILDERS, INC., Defendant.	)

COMPLAINT FOR DECLARATORY JUDGMENT
Jurisdiction and Venue

1. This is an action for declaratory judgment arising under the common law and under the statutes of the United States, specifically the Federal Trademark Act of 1946, 15 U.S.C. § 1051 et seq., and the Judicial Code, 28 U.S.C. §§1331, 1338, 2201 and 2202. The matter in controversy arises under the laws of the United States.

2. This court has jurisdiction over the subject matter and the parties under the Federal Trademark Act of 1946, 15 U.S.C. §1051 et seq.; and under the Judicial Code, 28 U.S.C. §§1331, 1338, 2201 and 2202.

3. INTERNATIONAL ARMOR & LIMOUSINE COMPANY ("Plaintiff") is incorporated under the laws of the State of Illinois. Its principal place of business is in Elgin, Illinois, within this judicial district. Plaintiff is in the business of producing and marketing limousines and other vehicles internationally and in interstate commerce including Illinois.

4. MOLONEY COACHBUILDERS, INC. ("Defendant") is incorporated under the laws of the State of Illinois corporation. Its principal place of business is in Bensenville, Illinois, within this judicial district. Defendant transacts business within this judicial district and internationally.

5. Venue is proper in this District pursuant to 28 U.S.C. § 1391 (b), (c) in that Defendant resides within this district.

6. Earle F. Moloney (EARLE) is an individual who has been involved in the automotive industry for many years prior to Defendant's activities in that industry and is currently the principal shareholder of Plaintiff.

COUNT I
Federal Unfair Competition: Declaratory Judgment

7. Plaintiff repeats and incorporates by reference the allegations of Paragraphs 1 through 6 of this Complaint as

a part of this Count.

8. Plaintiff rightfully and correctly states in certain printed material that it is "An E.F. Moloney Owned Company." (See Exhibit A hereto.)

9. Defendant with full knowledge of Plaintiffs right to so identify itself, accused Plaintiff of violating its rights, whatever they may be, in the Moloney name, and in violation of a March 1990 Agreement (hereinafter referred to as the "AGREEMENT") between *inter alia* EARLE (but not Plaintiff) and Defendant, and threatening "a federal court lawsuit for injunctive relief, money damages and attorneys fees."

10. The AGREEMENT between *inter alia* EARLE and Defendant states:

> "The use by EARLE of his individual name, identity, history, and relationship to the automobile industry in connection with any company he operates or is employed by shall not be prohibited by this Agreement." (Para. 9).

11. Defendant has insisted that Plaintiff immediately cease and desist its statement that it is "An E.F. Moloney Owned Company" and has threatened "a federal court lawsuit for injunctive relief, money damages and attorneys fees."

12. Defendant has no right to stop Plaintiff's acts.

13. Said accusation and demand have given rise to a case of actual controversy within the jurisdiction of this Court pursuant to 28 U.S.C. § §2201-02.

14. Plaintiff is not using "An E.F. Moloney Owned Company" in any manner that violates Federal law.

15. Plaintiff is not using "An E.F. Moloney Owned Company" in any manner that violates any right of Defendant.

16. Plaintiff is entitled to continue using the statement "An E.F. Moloney Owned Company".

17. Defendant's allegation that Plaintiff is violating Defendant's rights irreparably injures Plaintiff and, unless prevented by this Court, Defendant has and will significantly damage the business of Plaintiff. To resolve the legal and factual questions raised by Defendant and to afford relief from the uncertainty and controversy which Defendant's assertions have precipitated, Plaintiff is entitled to a declaration of its rights under 28 U.S.C. §§2201-02.

18. Plaintiff is entitled to a declaratory judgment that use of"An E.F. Moloney Owned Company" by Plaintiff does not violate any rights Defendant may have pursuant to the federal law of unfair competition, 15 U.S.C. §§1125-26.

COUNT II

Common law unfair competition: declaratory judgment

19. Plaintiff repeats and incorporates by reference the allegations of Paragraphs 1 through 18 of this Complaint as a part of this Count.

20. Plaintiff is entitled to a declaratory judgment that use of "An E.F. Moloney Owned Company" by Plaintiff does not violate any rights Defendant may have reader the common law of unfair competition.

WHEREFORE, Plaintiff prays that the Court declare and judgment be entered that:

(1) The use by Plaintiff of "An E.F. Moloney Owned Company" as set forth in Exhibit A does not violate Defendant's rights under the trademark or unfair competition laws of the United States, the State of Illinois or any other laws.

(2) Plaintiff has the right to use "An E.F. Moloney Owned Company" without interference by Defendant, its officers, agents, servants, employees, attorneys, privies, representatives, successors and assigns and any and all other persons acting by, through or under authority of Defendant, in the United States or in any other country where the activities of Plaintiff or Defendant have substantial effect on interstate commerce.

(3) Pursuant to 28 U.S.C. §2202, Defendant, its officers, agents, servants, employees, attorneys, privies, representatives, successors and assigns, and any and all persons acting in concert with or under authority of Defendant, either separately or jointly be enjoined permanently from:

a. interfering with or threatening to interfere with the use of "An E.F.

Moloney Owned Company" by Plaintiff, its successors or assigns;

b. instituting or prosecuting any suit or other proceeding placing in issue the right of Plaintiff, its successors or assigns to use "An E.F. Moloney Owned Company".

(4) Plaintiff recover its costs and attorney fees.

(5) Plaintiff has such other and general relief as may be just.

INTERNATIONAL ARMOR & LIMOUSINE COMPANY

/s/_____
One of its attorneys

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Suite 6200 Chicago, Illinois 60606-6622
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Complaint 9/21/1998

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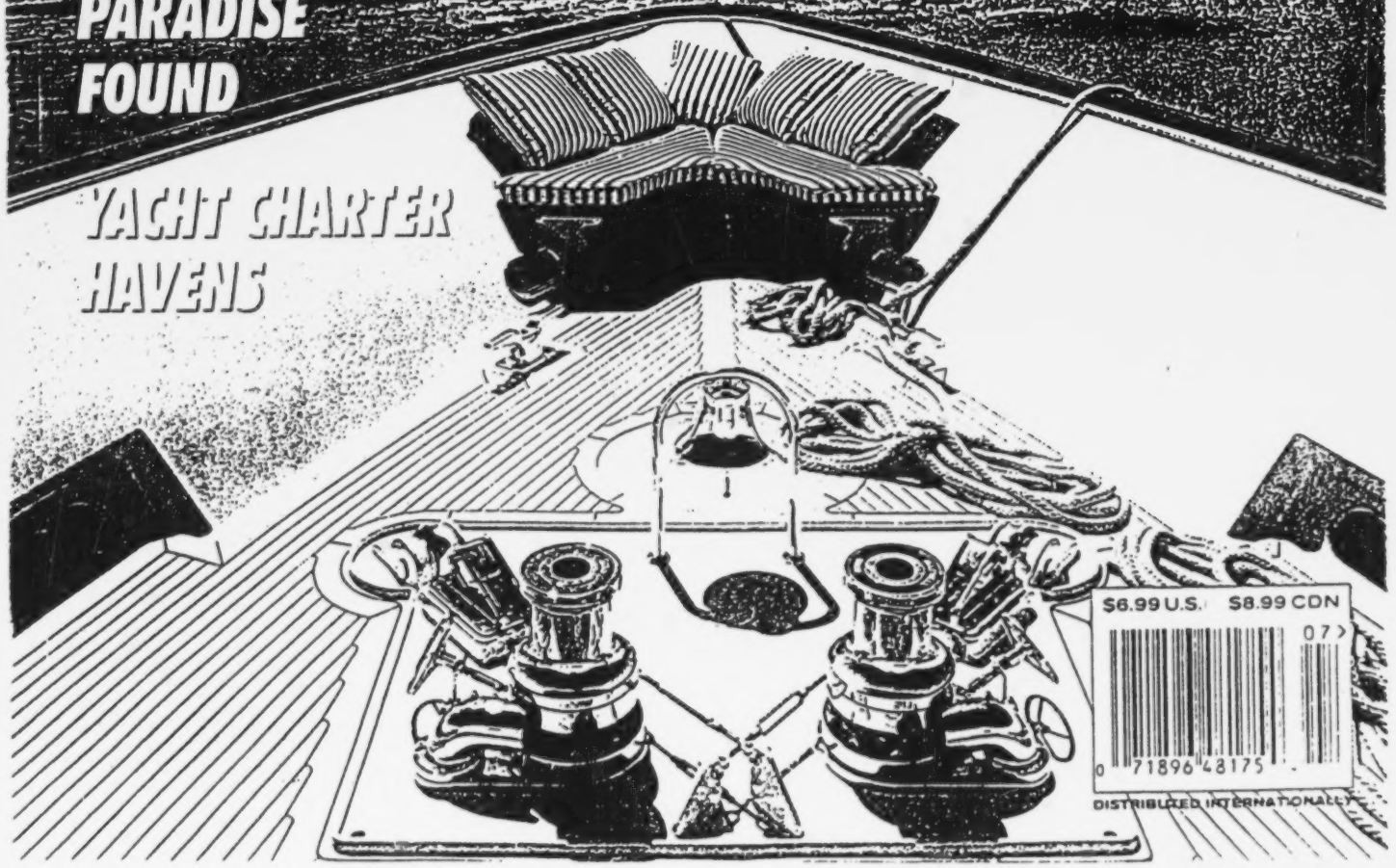

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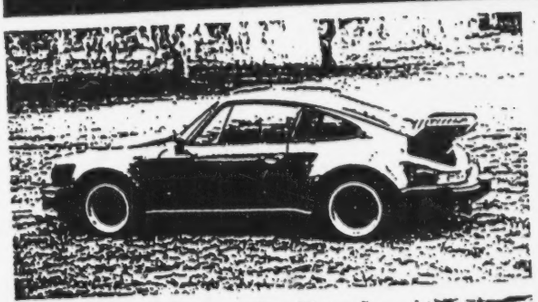

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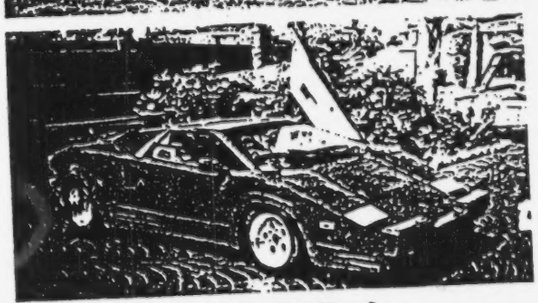

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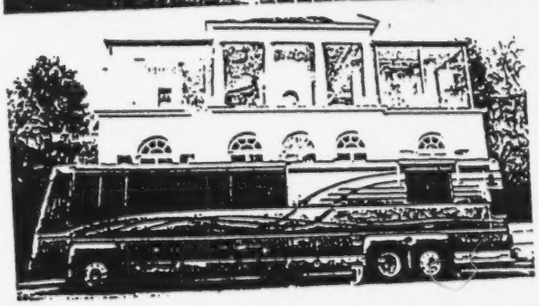

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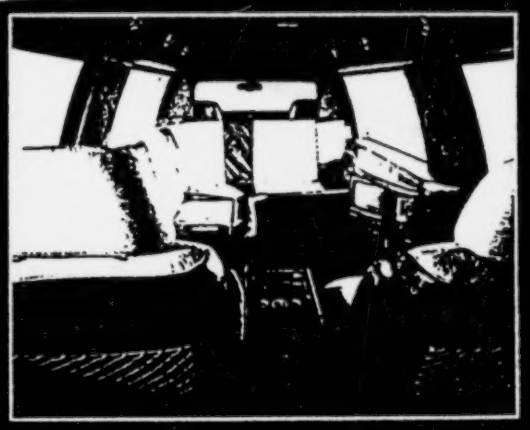

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APPENDIX F

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Filed October 5, 1998]

No. 98 C 5898

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,

Plaintiff,

v.

MOLONEY COACHBUILDERS, INC.

Defendant.

MOLONEY COACHBUILDERS, INC.

Third Party Plaintiff/ Counter-Plaintiff

v.

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,	)
Counter-Defendant,	)
and	)
EARLE F. MOLONEY, an individual, LIMOUSINE WERKS, an Illinois Corporation, and CHICAGO ARMOR & LIMOUSINE, an Illinois Corporation,	)
Third-Party Defendants.	)

*****FILED UNDER SEAL*****[1]

VERIFIED COUNTERCLAIM AND THIRD PARTY COMPLAINT

1. Defendant/Counter-Plaintiff/Third-Party Plaintiff, Moloney Coachbuilders Inc., for its counterclaim and third party complaint against Counter-Defendant, International Armor & Limousine and Third-Party Defendants, Earle F. Moloney, Limousine Werks and Chicago Armor and Limousine, states as follows:

[1] This document is filed under seal because it includes and discloses the contents of a Settlement Agreement filed under seal by Order of Judge Marvin E. Aspen, dated March 27, 1990, in Earle Moloney and Moloney Manufacturing Corporation v. James Centner and Moloney Coachbuilders, Inc., 88 C 6564. (See Minute Order attached as Exhibit A).

SUMMARY OF CLAIMS

2. Defendant/Counter-Plaintiff/Third-Party Plaintiff, Moloney Coachbuilders Inc., has filed this action against Counter-Defendant, International Armor & Limousine and Third-Party Defendants, Earle F. Moloney, Limousine Werks and Chicago Armor & Limousine, for their unauthorized use of the "Moloney' name, the Moloney Coachbuilders' corporate history and confusingly similar stylized design script mark, in connection with the manufacture and/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles.

3. The unauthorized use of this property by Earle F. Moloney, and companies which he owns, operates, or is associated with, including but not limited to International Armor & Limousine, Limousine Werks and Chicago Armor & Limousine, constitutes a violation of a Settlement Agreement entered into between Earle F. Moloney and Moloney Coachbuilders, Inc in the case entitled Earle Moloney and Moloney Manufacturing Corporation v. James Centner and Moloney Coachbuilders, Inc., 88 C 6564, formerly pending before the Honorable Judge Marvin E. Aspen in the United States District Court for the Northern District of Illinois, Eastern Division.

4. As a result, defendant seeks injunctive relief, compensatory damages, and other relief for breach of the Settlement Agreement and for violations of the Lanham Trademark Act, 15 U.S.C. §§ 1114(a) & 1125(a), Illinois Trademark Registration and Protection Act, 765 ILCS 1036/15, the Illinois Deceptive Trade Practices Act, 815 ILCS

510/1 *et seq.*, and the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 et seq.

THE PARTIES

5. Moloney Coachbuilders, Inc. is an Illinois Corporation with its principal place of business located in Bensenville, Illinois. Moloney Coachbuilders, Inc. and its predecessors in interest were at all relevant times in the business of manufacturing custom-built limousines and armored cars internationally and in interstate commerce. (Unless otherwise noted, Moloney Coachbuilders, Inc. and its predecessors in interest will hereinafter be referred to as "Moloney'.) Moloney is the owner of the trademark "Moloney Coachbuilders and Design", registration no. 1,364,362 for use in connection with "custom-built automobiles." (A copy of the Certificate of Registration for the mark is attached as Exhibit B hereto).

6. Upon information and belief, International Armor and Limousine Company ("IAL') is an Illinois Corporation with its principal place of business located in Elgin, Illinois. IAL is in the business of producing and manufacturing limousines and other vehicles internationally and in interstate commerce.

7. Upon information and belief, Limousine Werks is an Illinois Corporation with its principle place of business located in Elgin, Illinois. Limousine Werks is in the business of manufacturing custom made limousines internationally and in interstate commerce.

8. Upon information and belief, Chicago Armor and Limousine ("CAL") is an Illinois Corporation with its principle place of business located at Elgin, Illinois. CAL is in the business of manufacturing custom made limousines and armored cars internationally and in interstate commerce.

9. Upon information and belief Earle F. Moloney ("Earle Moloney') is an individual residing in the State of Illinois. Upon information and belief, Earle is the principal shareholder of and/or controls and/or is otherwise associated with IAL, CAL and Limousine Werks.

JURISDICTION AND VENUE

10. These counterclaims and third-party claims are brought pursuant to F.R.C.P. 13(b), 28 U.S.C. § 1331, 28 U.S.C. § 1338(a) and (b), 15 U.S.C. § 1121, 15 U.S.C. § 1119 and the principles of pendent jurisdiction.

FACTUAL BACKGROUND

11. This action arises out of Earle Moloney's breach of a settlement agreement which he entered into in March, 1990 in a case entitled Earle Moloney and Moloney Manufacturing Corporation v. James Centner and Moloney Coachbuilders, Inc., 88 C 6564, ("original action") formerly pending before the Honorable Judge Marvin E. Aspen in the United States District Court for the Northern District of Illinois, Eastern Division.

12. The original action was brought by Earle Moloney and Moloney Manufacturing Corporation, ("MMC"), against Moloney alleging, *inter alia,* violations of

state and federal trade mark laws. The claims involved a dispute over the ownership rights of Moloney Coachbuilders' corporate name, its corporate history and its stylized design script mark. Moloney filed its answer denying all material allegations of the complaint and brought a counterclaim against Earle Moloney and MMC for similar trademark violations. Moloney also moved for summary judgment on five of the claims brought by Earle Moloney and MMC and moved to dismiss the other three.

13. On December 27, 1989, Judge Marvin E. Aspen entered a Memorandum Opinion and Order dismissing all of the trademark claims brought by Earle Moloney and MMC. (See Moloney v. Centner, 727 F.Supp. 1232 (N.D.Ill. 1989), attached as Exhibit C). In the Opinion, Judge Aspen ruled that Moloney and *not* Earle Moloney or MMC, owned the exclusive rights to Moloney Coachbuilders' corporate history and goodwill as well as the rights to the trade name "Moloney Coach Builders" and the Trademark Reg. No. 1,364,362 which consists of the design styling of the name "Moloney' followed by the word "coachbuilders' and a graphic design of a carriage as depicted in the registration. Id. at 1237-39.

14. Shortly after Judge Aspen's opinion was published, Earle Moloney, MMC and Moloney Armor Corporation ("MAC") entered into a Settlement Agreement with Moloney that resolved the original action. (Attached as Exhibit D). Under the terms of the Settlement Agreement, Earle Moloney agreed to cease and desist using, or becoming associated with any other person and/or entity which is using, the name or mark "Moloney' or any other name or mark confusingly similar to "Moloney," in connection with the

manufacture and/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles. (Id, par. 4).

15. In addition, Earle Moloney agreed to cease and desist using, and would not associate in any way, directly or indirectly, with any other person and/or entity which is using the carriage logo and/or stylized design script that is registered by Moloney under the federal trade laws. (Id. at par. 7).

16. Finally, Earle Moloney agreed he would not take any action with the purpose or effect of causing confusion or of exploiting or using the goodwill and reputation of Moloney. Nor would Earle Moloney or any entity controlled or operated by him or with which he is associated, imply that he, or his associated company, has any relationship with or connection to Moloney. (Id. at par. 8).

17. Earle Moloney's agreement is embodied in the following provisions of the Settlement Agreement:

> 4. [Earle Moloney], MMC and MAC shall within a reasonable time, but no longer than 30 days from the date of this agreement, cease and desist from using, and shall not become associated in any way, directly or indirectly, with any other person and/or entity which is using, the name or mark "Moloney," whether alone or with other words, in connection with the manufacture an/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored

automobiles. It is understood that this thirty-day period is being agreed to to allow [Earle Moloney], MMC, and MAC to wind down any automobile, custom-built automobile, limousine, stretched automobile, and/or armored automobile business they might currently be conducting under the name "Moloney." [Earle Moloney], MMC, and MAC shall not initiate any new such business (including the manufacture and/or sale of automobiles extended more than 20 inches) under the "Moloney' name during this period nor shall they initiate any new advertising or promotion of such business under the "Moloney' name during this period.

7. [Earle Moloney], MMC and MAC shall, within a reasonable time, but no longer than 30 days from the date of this Agreement, cease and desist from using, and shall not become associated in any way, directly or indirectly, with any other person and/or entity which is using, the carriage logo and/or stylized design script as depicted in Federal Registration No. 1,364,362 or any other logos or scripts confusingly similar whether alone, with other words, in connection with thereto, or the manufacture and/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles.

. . .

> 8. [Earle Moloney], MMC, and MAC will not take any action with the purpose or effect of causing confusion or of exploiting or using, either for themselves or for someone else, the goodwill and reputation of MMC which was sold to [Moloney] and Moore pursuant to the Purchase Agreement. By way of example and without limitation, [Earle Moloney], MMC and MAC may not represent, in words or in substance, that they are the original Moloney, that they probably built your limousine, or that any customer to whom they have not sold an automobile since September 17, 1986, is their customer. In addition neither [Earle Moloney], *MMC,* and MAC nor any entity controlled or operated by them or with which they are associated will imply that they, or said company, has any relationship with or connection to [Moloney].
>
> (Exhibit D, pars. 4, 7 & 8.)

18. The Settlement Agreement also provides that Earle Moloney can accurately and fairly identify himself, as well as his history and relationship to the automobile industry in a non-promotional, non-trademark manner, provided that such identification does not violate the terms of the Settlement Agreement. (Id. at par. 9). Specifically, paragraph 9 of the Settlement Agreement provides:

> [Earle Moloney] may accurately and fairly identify himself and his personal experience in the automobile industry. The use by [Earle

> Moloney] of his individual name, identity, history, and relationship to the automobile industry in connection with any company he operates or is employed by shall not be prohibited by this Agreement. *Notwithstanding [Earle Moloney 's] right to identify himself, his experience, history, and relationship to the automobile industry, as provided in this paragraph, [Earle Moloney] shall not, by virtue of any such identification, violate any other provisions of this Agreement.*
>
> (Id. at par. 9, emphasis added).

19. At all relevant times and since at least March of 1990, Moloney has used the "Moloney" name, the corporate history, and the carriage logo and stylized design script mark continuously and exclusively in connection with its custom-built limousines and armored cars.

20. As a result of Moloney's provision of goods and services of consistently high quality, Moloney's "Moloney" name, the corporate history and the stylized design script mark have earned and enjoy a valuable and extensive goodwill and very favorable reputation among the public, with the result that such name and marks are recognized and relied upon the purchasing public as indicating goods and services originating exclusively with Moloney.

21. In January, 1998, Moloney discovered that Earle Moloney, IAL, CAL and Limousine Werks were utilizing the "Moloney" name, the Moloney Coachbuilders' corporate history as well a confusingly similar stylized design

script mark in promoting the manufacture, sale and service of custom-built limousines and armored cars in the state of Illinois and in interstate commerce. (Attached as Exhibit E hereto are copies of IAL, CAL and Limousine Werks advertisements for custom-built limousines and armored cars which have appeared in the Robb Report, an industry journal, in October, 1997, December 1997, and February 1998).

22. The unauthorized uses include the following phrases: "Featuring the world's standard in sports utility vehicles by the world's premier limousine builder . . . Earle F. Moloney," "An E. F. Moloney owned company" and "A Moloney owned entity". In addition, CAF and Limousine Werks are utilizing a stylized design script which is confusingly similar to Moloney's registered design script mark. Id. 23. On January 30, 1998, counsel for Moloney sent Earle Moloney a letter requesting that Earle Moloney and each of the companies with which he is associated, cease and desist from using the "Moloney" name and the Moloney Coachbuilders' corporate history in its advertisement in connection with limousines and armored cars. (See letter dated January 30, 1998 attached as Exhibit F).

24. On February 16, 1998, counsel for International Armor and Limousine, responded by stating that IAL and Earle would comply with the provisions of the settlement agreement and would discontinue using advertisements referring to IAL as a "Moloney Owned Company" or a "Moloney Owned Entity". (See letter dated February 16, 1998 attached as Exhibit G).

25. In August, 1998, Moloney learned that Earle Moloney, IAL, CAL and Limousine Werks were still using

the "Moloney" name and the Moloney Coachbuilders' corporate history as well as a design script mark which is confusingly similar to a mark registered and used by Moloney in advertising limousines and armored cars. (See Advertisement from July, 1998 Robb Report, an industry journal, attached as Exhibit H).

26. On August 26, 1998 and September 4, 1998, counsel for Moloney once again sent IAL and Earle Moloney a letter requesting that he discontinue these unauthorized uses of Moloney's property. (See Letters dated August 26, 1998 and September 4, 1998 attached as Exhibits I & J).

27. Despite their earlier agreement to cease using Moloney's property, counsel for IAL and Earle Moloney informed Moloney's counsel that Earle Moloney and IAL would continue to use the "Moloney" name in its advertising of limousines and armored cars. (See Letters dated September 2, 1998 and September 16, 1998 attached as Exhibit K & L).

28. In addition, on September 21, 1998, IAL filed a Complaint for Declaratory Judgment in the United States District Court for the Northern District of Illinois, Eastern Division, seeking a declaration of the rights of Earle Moloney and Moloney under the Settlement Agreement and under federal and state trade mark laws.

29. Earle Moloney, IAL, CAL and Limousine Werks have disseminated these false and misleading statements and representations for the purpose of confusing the public into believing that their limousines and/or services originated with or are in some manner connected or associated with Moloney.

30. This unauthorized use of the "Moloney" name, the Moloney Coachbuilders' corporate history and the stylized design script has caused injury to Moloney and to the goodwill and reputation symbolized by Moloney's trade name and trademarks.

COUNT I - BREACH OF CONTRACT

31. Moloney realleges and incorporates herein by reference paragraphs 1 through 30.

32. Moloney has continuously complied with each and every provision of the Settlement Agreement.

33. The unauthorized use of the "Moloney' name, the Moloney Coachbuilders' corporate history and a confusingly similar stylized design script mark, by Earle Moloney, IAL, CAL and Limousine Werks, in connection with the manufacture and/or sale of custom-built automobiles, limousines and armored automobiles constitutes a violation of the Settlement Agreement.

34. The terms of the Settlement Agreement also provide that the prevailing party will be entitled to all attorneys fees and costs which result from litigation over any claimed breach of the settlement agreement.

35. As a result of Earle Moloney's breach of the Settlement Agreement Moloney has been damaged in an amount not currently known but subject to proof a trial. Unless Earle Moloney, and the companies with which he is associated, are restrained from further breaches, Moloney will suffer irreparable injury.

COUNT II - TRADE MARK INFRINGEMENT

36. Moloney realleges and incorporates herein by reference paragraphs 1 through 35.

37. The use of the "Moloney" name and the Moloney corporate history by Earle Moloney, IAL, CAL and Limousine Werks in connection with the manufacture, distribution and servicing of custom-built automobiles is likely to cause confusion, or to cause mistake, or to deceive customers in the trade and relevant public into believing that the goods and services of IAL, CAI., and Limousine Werks are also the goods and services of Moloney, or that Moloney is somehow connected or associated with the goods or services of IAL, CAL and/or Limousine Werks within the meaning of 15 U.S.C. § 1114(a), and jeopardized the entire goodwill symbolized by Moloney's registered mark, causing irreparable injury to Moloney.

38. The actions of Earle Moloney, IAL, CAL and Limousine Werks in using the "Moloney" name, corporate history and stylized design script marks which are confusingly similar to Moloney's registered trademark are willful and were committed with full knowledge of Moloney's prior rights in its trademark and federal registration, and has been done with the intention to trade upon the valuable goodwill built up and maintained by Moloney in its federally registered mark "Moloney Coachbuilders and Design" and to cause irreparable injury to Moloney.

39. As a result of Earle Moloney's breach of the Settlement Agreement Moloney has been damaged in an amount not currently known but subject to proof a trial.

Unless Earle Moloney, and the companies with which he is associated, are restrained from further violations of law, Moloney will suffer irreparable injury.

COUNT III - FALSE DESIGNATION OF ORIGIN

40. Moloney realleges and incorporates herein by reference paragraphs I through 39.

41. The unauthorized use of designations confusingly similar to Moloney's "Moloney Coachbuilders' trade name and mark and "Moloney Coachbuilders and Design" mark as alleged herein constitutes the use of false designations of origin within the meaning of 15 U.S.C. § 1125(a), and jeopardizes the entire goodwill built up by Moloney in its "Moloney Coachbuilders' trade name and "Moloney Coachbuilders and Design" mark, causing irreparable injury to Moloney.

42. As a result of Earle Moloney's breach of the Settlement Agreement Moloney has been damaged in an amount not currently known but subject to proof a trial. Unless Earle Moloney, and the companies with which he is associated, are restrained from further violations of law, Moloney will suffer irreparable injury.

COUNT IV
FALSE DESCRIPTIONS OR REPRESENTATIONS

43. Moloney realleges and incorporates herein by reference paragraphs 1 through 42.

44. Earle Moloney, IAL, CAL and Limousine Werks have disseminated advertising materials in commerce which contain false and misleading statements and representations concerning IAL, CAL and Limousine Werks's services. In advertising for and offering custom-built limousines and armored automobiles, Earle Moloney, IAL, CAL and Limousine Werks have falsely represented to potential customers that they are a "Moloney Owned Entity" or an E. F. Moloney Owned Company. (Exhibit E). In addition, IAL advertises that "it is a known fact that other armoring executives took their internships under the tutelage of Earle F. Moloney . . ." and describes Earle F. Moloney as "the world's premier limousine builder". Id. Earle Moloney, IAL, CAL and Limousine Werks have disseminated these false and misleading statements and representations for the purpose of confusing the public into believing that their limousines and/or services originate with, or are in some manner connected or associated with Moloney, or into believing that Earle Moloney, IAL, CAL or Limousine Werks, not Moloney, are the "original," better established and therefore superior provider of custom-built automobiles, limousines, stretched automobiles and/or armored automobiles.

45. The dissemination of these false and misleading statements and representations by Earle Moloney, IAL, CAL and Limousine Werks, tends to deceive its public audience and is likely to influence purchasing decisions among members of that audience.

46. The dissemination of these statements by Earle Moloney, IAL, CAL and Limousine Werks has caused injury to Moloney and to the goodwill and reputation symbolized by

Moloney's trade name and trademarks. Moloney is threatened with the loss of existing and potential limousine and limousine service customers, and is also threatened by the likelihood that the public will believe that the custom-built automobiles, limousines and/or services of Earle Moloney, IAL, CAL and Limousine Werks, originate with or are in some manner connected or associated with Moloney.

47. The distribution of the advertisement by Earle Moloney, IAL, CAL and Limousine Werks attached as Exhibit E and Exhibit H hereto, and the statements therein, constitutes the use of false descriptions or representations within the meaning of 15 U.S.C. §1125(a).

48. As a result of Earle Moloney's breach of the Settlement Agreement Moloney has been damaged in an amount not currently known but subject to proof a trial. Unless Earle Moloney, and the companies with which he is associated, are restrained from further violations of law, Moloney will suffer irreparable injury.

COUNT V
COMMON LAW TRADEMARK AND TRADE NAME INFRINGEMENT AND UNFAIR COMPETITION

49. Moloney realleges and incorporates herein by reference paragraphs 1 through 48.

50. Earle Moloney, IAL, CAL and Limousine Werks' use of designations confusingly similar to Moloney's "Moloney Coachbuilders" trade name and mark and "Moloney Coachbuilders and Design" mark as alleged herein constitutes trade name and trademark infringement and unfair

competition under the common law of the State of Illinois.

51. Moloney has been damaged in unknown amounts, and is without an adequate remedy at law.

COUNT VI - DECEPTIVE TRADE AND BUSINESS PRACTICES

52. Moloney realleges and incorporates herein by reference paragraphs 1 through 51.

53. Defendant's acts alleged herein constitute deceptive trade practices in violation of the Illinois Deceptive Trade Practices Act, 815 ILCS 510/1 *et seq.* and deceptive business practices in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1 *et seq.*.

54. As a result of Earle Moloney's breach of the Settlement Agreement Moloney has been damaged in an amount not currently known but subject to proof a trial. Unless Earle Moloney, and the companies with which he is associated, are restrained from further violations of law, Moloney will suffer irreparable injury.

WHEREFORE, Moloney Coachbuilders, Inc. prays for an order and judgment against Earle F. Moloney, International Armor and Limousine, Chicago Armor and Limousine and Limousine Werks as follows:

1. For a temporary restraining order, preliminary and permanent injunction restraining Earle Moloney, IAL, CAL and Limousine Werks, their officers, agents, servants,

employees, attorneys and all other persons in active concert or participation with them from:

a) using the designation "Moloney" or any other word, name, symbol or device confusingly similar to Moloney's trade name and trademark "Moloney Coachbuilders", or Moloney's registered trademark "Moloney Coachbuilders and Design" in connection with the sale of or advertising for any product or service relating to the manufacture, sale and/or servicing of custom-build automobiles, limousines or armored cars; and from

b) using the Moloney Coachbuilders' corporate history in connection with the manufacture, sale and/or servicing of custom-built automobiles, limousines or armored cars; and from

c) holding out in any manner whatsoever that Earle Moloney, IAC, CAL or Limousine Works are in any way associated or affiliated with Moloney.

2. For an order directing Earle Moloney and any other company with which he is associated, including but not limited to, IAC, CAL and Limousine Werks to provide an accounting of every instance in which they have used the "Moloney' name, the Moloney Coachbuilders' corporate history and the confusingly similar stylized design script mark in connection with the manufacture, sale and/or servicing of custom-built automobiles, limousines or armored cars

3. For an order directing Earle Moloney, IAC, CAL and Limousine Werks to account and pay over to Moloney all gains, profits and advantages they realized from the sale or provision of goods or services under the designations in question.

4. For an order directing Earle Moloney, IAC, CAL and Limousine Werks to pay over to Moloney all damages suffered by Moloney and that the amount of such damages be trebled in accordance with the law.

5. For an order directing Earle Moloney, IAC, CAL and Limousine Werks to pay Moloney's reasonable attorneys's fees and all costs connected with this action.

6. For such other and further relief that the Court may deem just and proper. Moloney Coachbuilders, Inc. hereby demands a jury trial.

Dated October 7, 1998

Moloney Coachbuilders, Inc.

/s/_____

Michael R. Levinson
Daniel F. Lanciloti
Seyfarth, Shaw, Fairweather & Geraldson
55 East Monroe St.
Chicago, Illinois 60603
(312) 346-8000

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

[Filed October 5, 1998]

No. 98 C 5898

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,

Plaintiff,

v.

MOLONEY COACHBUILDERS, INC.

Defendant.

MOLONEY COACHBUILDERS, INC.

Third Party Plaintiff/ Counter-Plaintiff

v.

INTERNATIONAL ARMOR & LIMOUSINE COMPANY,

Counter-Defendant,

and

EARLE F. MOLONEY, an individual, LIMOUSINE WERKS, an Illinois Corporation, and CHICAGO ARMOR & LIMOUSINE, an Illinois Corporation,

Third-Party Defendants.

VERIFICATION

Joseph V. Scaletta, pursuant to 28 U.S.C. § 1746, states as follows:

1. I am President of Moloney Coachbuilders, Inc. I have full knowledge of and am competent to testify to all matters stated herein.

2. I have read Moloney Coachbuilders' Verified Counterclaim and Third-Party Complaint and the factual allegations contained therein are true and correct to the best of my knowledge, information and belief.

I verify under penalty of perjury that the foregoing is true and correct.

Executed this 5th day of October, 1998 in DuPage, Illinois.

/s/_____
Joseph V. Scaletta

Counterclaim & Third Party Complaint 10/5/1998

[FOLD OUT EXHIBIT]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION
DISMISSAL OF ACTION

Document / Peckham

Minute Order Form
(rev. 3/88a)

UNITED STATES DISTRICT COURT, NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

Name of Assigned Judge or Magistrate	Marvin E. Aspen	Sitting Judge/Mag. If Other Than Assigned Judge/Mag.	
Case Number	88 C 6564	Date	March 27, 1990
Case Title	Earle Moloney,etal v. James Centner,etal		

MOTION: [In the following box (.) indicate the party filing the motion, e.g., plaintiff, defendant, 3d-party plaintiff, and (b) state briefly the nature of the motion being presented]

Sent for Microfilming

MAR 28 1990

Filmed on _____

DOCKET ENTRY: (The balance of this form is reserved for notations by court staff.)

(1) ☐ Judgment is entered as follows: (2) ☑ [Other docket entry:]

Pursuant to stipulation, this action is hereby dismissed with prejudice and without costs. The Court shall maintain jurisdiction of this matter for the purpose of enforcing the Mutual Settlement and General Release Agreement. It is further ordered that said settlement agreement be filed under seal.

DOCKETED APR 3 1990

(3) ☐ Filed motion of [use listing in "MOTION" box above].
(4) ☐ Brief in support of motion due _____.
(5) ☐ Answer brief to motion due _____ Reply to answer brief due _____.
(6) ☐ Hearing ☐ Ruling on _____ set for _____ at _____.
(7) ☐ Status hearing ☑ held ☐ continued to ☐ set for ☐ reset for _____ at _____.
(8) ☐ Pretrial conference ☐ held ☐ continued to ☐ set for ☐ reset for _____ at _____.
(9) ☐ Trial ☐ set for ☐ reset for _____ at _____.
(10) ☐ ☐ Bench trial ☐ Jury trial ☐ Hearing held and continued to _____ at _____.
(11) ☐ This case is dismissed ☐ without ☐ with prejudice and without costs ☐ by agreement ☐ pursuant to ☐ FRCP 4(j) (failure to serve) ☐ General Rule 21 (want of prosecution) ☐ FRCP 41(a)(1) ☐ FRCP 41(a)(2)
(12) ☐ (For further detail see ☐ order on the reverse of ☐ order attached to the original minute order form.)

No notices required.
Notices mailed by judge's staff.
Notified counsel by telephone.
Docketing to mail notices.
Mail AO 450 form.
Copy to judge/magistrate.

courtroom deputy's initials: AF

Date/time received in central Clerk's Office

number of notices: 3+

date docketed: MAR 28 1990

docketing dpty. initials

date mailed notices: MAR 28 1990

mailing dpty. init.

Document # 84

BEST AVAILABLE COPY

Counterclaim & Third Party Complaint 10/5/1998

[FOLD OUT EXHIBIT]

U.S. PATENT and TRADEMARK OFFICE

Int. Cl.: 12

Prior U.S. Cl.: 19

Reg. No. 1,364,362

United States Patent and Trademark Office

Registered Oct. 8, 1985

TRADEMARK
PRINCIPAL REGISTER

Moloney coachbuilders

MOLONEY COACH BUILDERS, INC. (ILLINOIS CORPORATION)
2300 HAMMOND DRIVE
SCHAUMBURG, IL 60195

FOR: CUSTOM-BUILT AUTOMOBILES, IN CLASS 12 (U.S. CL. 19).

FIRST USE 0-0-1970; IN COMMERCE 0-0-1970.

NO CLAIM IS MADE TO THE EXCLUSIVE RIGHT TO USE "COACHBUILDERS", APART FROM THE MARK AS SHOWN.

SER. NO. 517,776, FILED 1-16-1985.

KAREN S. MILLER, EXAMINING ATTORNEY

SETTLEMENT AND MUTUAL GENERAL RELEASE AGREEMENT

This Settlement and Mutual General Release Agreement ("Settlement Agreement") is hereby entered into on this ____ day of March, 1990, by and between Jacques Moore ("MOORE"), Moloney Coachbuilders ("MCB") and James Centner ("CENTNER"), on one hand, and Earle Moloney ("EARLE"), Moloney Manufacturing Corporation ("MMC"), and Moloney Armor Corporation ("MAC"), on the other hand.

WHEREAS, on September 17, 1986, EARLE and MMC entered into a purchase agreement (the "Purchase Agreement") pursuant to which they sold certain assets to MCB and MOORE.

WHEREAS, EARLE and MOORE also entered into an agreement on September 17, 1986 (the "Repurchase Agreement") pursuant to which EARLE received the right to repurchase under specified conditions assets sold pursuant to the Purchase Agreement.

WHEREAS, since the sale to MOORE and MCB, EARLE conducted business in the stretch-car and armored car industry under various names incorporating the word "Moloney," including MMC and MAC.

WHEREAS, a complaint was filed by EARLE and MMC against MCB and MOORE on October 29, 1987, in the Circuit Court of Cook County, under the caption *Moloney Manufacturing Corporation and Earle F. Moloney v. Moloney Coachbuilders, Inc. and Jacques Moore*, No. 87 CH 10506

("the State Litigation").

WHEREAS, certain counterclaims were raised by MCB against EARLE and MMC in the State Litigation.

WHEREAS, a complaint was filed by EARLE and MMC against MCB and CENTNER on June 22, 1988, which was removed to the United States District Court for the Northern District of Illinois, Eastern Division, under the caption *Earle Moloney and Moloney Manufacturing Corporation v. James Centner and Moloney Coachbuilders, Inc.*, No. 88 C 6564 ("the Federal Litigation").

WHEREAS, certain counterclaims were raised by MCB against EARLE in the Federal Litigation.

WHEREAS, MOORE, MCB, EARLE, MMC, MAC and CENTNER are desirous of settling and compromising the claims in the Federal and State Litigation as well as any and all other claims against one another that they may have, have had, or will have as a result of anything that has occurred prior to the date of this Settlement Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed by and between the parties hereto as follows:

1. EARLE, MMC and/or MAC agree to pay a total of One Hundred Twenty Five Thousand Dollars ($125,000.00) by certified check or by cashier's check to MCB, contemporaneously with the execution of this

Settlement Agreement.

2. EARLE, MMC and MAC acknowledge MCB's exclusive ownership of all rights to and trademarks in the name "Moloney" in connection with the manufacture and sale of limousines, custom-built cars, stretch cars and armored cars and they further acknowledge the validity of all trademarks in that name, relating to the sale of limousines, custom-built cars, stretch cars, and armored cars, including, without limitation, the trademarks evidenced by Federal Registration No. 1,364,362. EARLE, MMC and MAC also acknowledge MCB's exclusive ownership of all rights to the carriage logo and stylized design script for use in connection with limousines, custom-built cars, stretch cars anc armored cars as depicted in Federal Registration No. 1,364,362 and they further acknowledge the validity of that logo and design script as trademarks, either alone, together, or in combination with the name "Moloney."

3. EARLE, MMC and/or MAC shall execute the assignment in the form attached hereto as Exhibit A to effect transfer of Federal Registration No. 1,364,362 to MCB. EARLE, MMC, and/or MAC will cooperate with MCB and do whatever else is necessary to effect that transfer and to reflect in the Patent and Trademark Office the fact that MCB is the owner of Federal Registration No. 1,354,362.

4. EARLE, MMC and MAC shall within a reasonable time, but no longer than 30 days from the date of this Agreement, cease and desist from using, and shall not become associated in any way, directly or indirectly, with any other person and/or entity which is using, the name or mark "Moloney" or any other name or mark confusingly similar to

"Moloney," whether alone or with other words, in connection with the manufacture and/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles. It is understood that this thirty-day period is being agreed to to allow EARLE, MMC and MAC to wind down any automobile, custom-built automobile, limousine, stretched automobile, and/or armored automobile business they might currently be conducting under the name "Moloney." EARLE, MMC, and MAC shall not initiate any new such business (including the manufacture and/or sale of automobiles extended more that 20 inches) under the "Moloney" name during this period nor shall they initiate any new advertising or promotion of such business under the "Moloney" name during this period.

5. EARLE may engage in the manufacture or sale of automobiles, custom-built automobiles, limousines, stretched automobiles, and/or armored automobiles in any business form he chooses, including through a company (the "Company") which is a subsidiary of a corporation using "Moloney" in its name, so long as EARLE, the Company, and such corporation using the name "Moloney" abide by the restrictions of this Agreement, including specifically paragraph 4 hereof. This means, without limitation, and among other things, that EARLE and the Company may not identify any affiliation with such corporation using "Moloney" in its name in any sales, service, promotional, informational, or advertising material for automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles or on any automobiles themselves. Identification by such corporation using "Moloney" in its name as the parent or affiliate of the Company in informational or other documents *not* related to the

promotion, sale, advertising, and/or service of automobiles, custom-built automobiles, limousines, stretched automobiles, and armored automobiles shall not be prohibited.

6. The parties recognize that the name "Molon," standing alone and perhaps otherwise, would be confusingly similar within the meaning of paragraph 4 hereof, to the mark "Moloney" when used in connection with automobiles, custom-built automobiles, limousines, stretched automobiles, and/or armored automobiles. EARLE has indicated his potential desire to have an existing company named Molon Motor & Coil Corp., which is engaged in the manufacturing and sale of fractional horsepower motors, to enter the automobile, custom-built automobile, limousine, stretch automobile, and/or armored automobile business. Because of the confusing similarity between "Molon" and "Moloney", it is agreed that Molon Motor & Coil Corp. may use its name in such business only so long as: i) it uses its full name, Molon Motor & Coil Corp., in all verbal, written, or other promotional, advertising, informational, or identification activities regarding automobiles, custom-built automobiles, limousines, stretch automobiles, and/or armored automobiles; ii) it not use the name "Molon" alone or in any other manner which is confusingly similar to "Moloney" in any verbal, written, or other promotional, advertising, informational, or identification activities regarding automobiles, custom-built automobiles, limousines, stretch automobiles, and/or armored automobiles.

7. EARLE, MMC and MAC shall, within a reasonable time, but no longer than 30 days from the date of this Agreement, cease and desist from using, and shall not become associated in any way, directly or indirectly, with any

other person and/or entity which is using, the carriage logo and/or stylized design script as depicted in Federal Registration No. 1,364,362 or any other logos or scripts confusingly similar thereto, whether alone, or with other words, in connection with the manufacture and/or sale of automobiles, custom-built automobiles, limousines, stretched automobiles and/or armored automobiles.

8. EARLE, MMC, and MAC will not take any action with the purpose or effect of causing confusion or of exploiting or using, either for themselves or for someone else, the goodwill and reputation of MMC which was sold to MCB and MOORE pursuant to the Purchase Agreement. By way of example and without limitation, EARLE, MMC and MAC may not represent, in words or in substance, that they are the original Moloney, that they probably built your limousine, or that any customer to whom they have not sold an automobile since September 17, 1986, is their customer. In addition neither EARLE, MMC, and MAC nor any entity controlled or operated by them or with which they are associated will imply that they, or said company, has any relationship with or connection to MCB.

9. EARLE may accurately and fairly identify himself and his personal experience in the automobile industry. The use by EARLE of his individual name, identity, history, and relationship to the automobile industry in connection with any company he operates or is employed by shall not be prohibited by this Agreement. Notwithstanding EARLE'S right to identify himself, his experience, history, and relationship to the automobile industry, as provided in this paragraph, EARLE shall not, by virtue of any such identification, violate any other provisions

of this Agreement.

10. The following provisions of the Purchase Agreement are terminated as of this date and shall no longer be of any force or effect: the non-competition provision and agreement set forth in paragraph 9.4 and Exhibit F and the non-competition agreement set forth in paragraph 7.1. In addition, the Repurchase Agreement is terminated as of this date and shall no longer be of any force or effect.

11. Within 14 days after execution of this Settlement Agreement, the parties to the Federal Litigation and the State Litigation will present to each respective court stipulations of dismissal with prejudice and without costs in the form attached hereto as Exhibit B. The Federal court shall retain jurisdiction of the Federal Litigation solely for the purpose of enforcing this Settlement Agreement.

12. In the event that litigation ensues over any claimed breach of this Settlement Agreement, the losing party shall pay to the prevailing party all costs, including attorneys fees incurred in connection with that litigation.

13. EARLE, MMC, and MAC for themselves and their officers, directors, employees, agents, successors, assigns, and representatives, and each of them, do hereby remise, release and forever discharge MOORE, MCB and CENTNER, and all of their officers, directors, employees, agents, successors, assigns, and representatives, and each of them, of and from all manner of action, causes, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, promises, damages, judgments, executions, claims, causes of action and demands

whatsoever in law or in equity, that they have had, now have or will have whether known or unknown, arising from the beginning of time to the date of this Settlement Agreement, and particularly, without limiting the generality of the foregoing, all claims made or which could have been made in connection with the Federal and State litigation.

14. MOORE, MCB and CENTNER for themselves and their officers, directors, employees, agents, successor, assigns, and representatives, and each of them, do hereby remise, release, and forever discharge EARLE, MMC and MAC and all of its officers, directors, employees, agents, successors, assigns, and representatives, and each of them, of and from all manner of action, causes, suits, debts, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, controversies, promise, damages, judgments, executions, claims, causes of action and demands whatsoever in law or in equity, that they have had, now have or will have whether known or unknown, arising from the beginning of time to the date of this Settlement Agreement, and particularly, without limiting the generality of the foregoing, all claims made or which could have been made in connection with the Federal and State Litigation.

15. This Settlement Agreement shall be binding on and inure to the benefit of the parties, their successors, assigns, agents, officers, directors, and representatives.

16. The terms of this Settlement Agreement shall be kept confidential and shall not be disclosed, except as necessary to enforce any terms hereof or except as may be required by lawful process of any court or other governmental or regulatory authority.

17. Any notices provided for in this Settlement Agreement shall be in writing and shall be deemed to have been duly given (i) when delivered personally or (ii) when deposited in the United States first class mail, postage prepaid, addressed as follows:

If to MOORE and MCB:

Michael L. Levinson, Esq.
Seyfarth, Shaw, Fairweather & Geraldson
55 East Monroe Street, Suite 4200
Chicago, Illinois 60603

If to EARLE, MMC and MAC

Francis E. Sweet, Esq.
McKenna, Storer, Rowe, White & Farrug
200 North LaSalle Street, 30th Floor
Chicago, Illinois 60601

or at such other place as either party may designate to the other by notice given in accordance with the Section.

18. This Settlement Agreement may be executed in one or more counterparts, each of which shall be deemed an original.

JACQUES MOORE
By _____

MOLONEY COACHBUILDERS
By _____

JAMES CENTNER
By _____

EARLE MOLONEY
By /s/ _____

MOLONEY MANUFACTURING
CORPORATION
By /s/_____

MOLONEY ARMOR
CORPORATION
By /s/_____

ASSIGNMENT

Agreement made this _____ day of March, 1990, by and between Moloney Manufacturing Corporation, an Illinois corporation (Assignor) and Moloney Coachbuilders, Inc., an Illinois corporation (Assignee).

WHEREAS, Assignor represents that, prior to September 17, 1986, it was the owner of the entire right, title and interest in and to the trademark MOLONEY COACHBUILDERS and Design ("the mark"), and in and to United States Trademark Registration No. 1,364,362 ("the Registration"); and

WHEREAS, Assignor acknowledge that by Agreement dated September 16, 1986, Assignor sold to Assignee all of its right, title and interest in and to the Mark and the Registration.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby expressly acknowledged, Assignor hereby assigns to Assignee Assignor's entire right, title and interest in and to the Mark and the Registration, including all goodwill appurtenant thereto and the right to sue for all past infringements of the Mark and/or Registration, said assignment to have effect from September 16, 1986.

MOLONEY MANUFACTURING CORPORATION
By: /s/_____

MOLONEY COACHBUILDERS, INC.
By: _____